

**San Lorenzo Valley Water District**  
**Comprehensive Annual Financial Report**  
**Fiscal Years June 30, 2016 and 2015**



**Boulder Creek, California**





## **Our Mission**

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, 2016**

<u>Name</u>	<u>Title</u>	<u>Elected/ Appointed</u>	<u>Term Expires</u>
Randall Brown	President	Elected	December 2016
Gene Ratcliffe	Vice President	Elected	December 2018
Margaret Bruce	Director	Elected	December 2016
Eric Hammer	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](http://www.slvwd.com)**



**San Lorenzo Valley Water District**  
**Comprehensive Annual Financial Report**  
**Fiscal Years Ended June 30, 2016 and 2015**

**Prepared by:**  
*Stephanie Hill, Finance Manager*

**San Lorenzo Valley Water District  
Comprehensive Annual Financial Report  
Fiscal Years Ended June 30, 2016 and 2015**

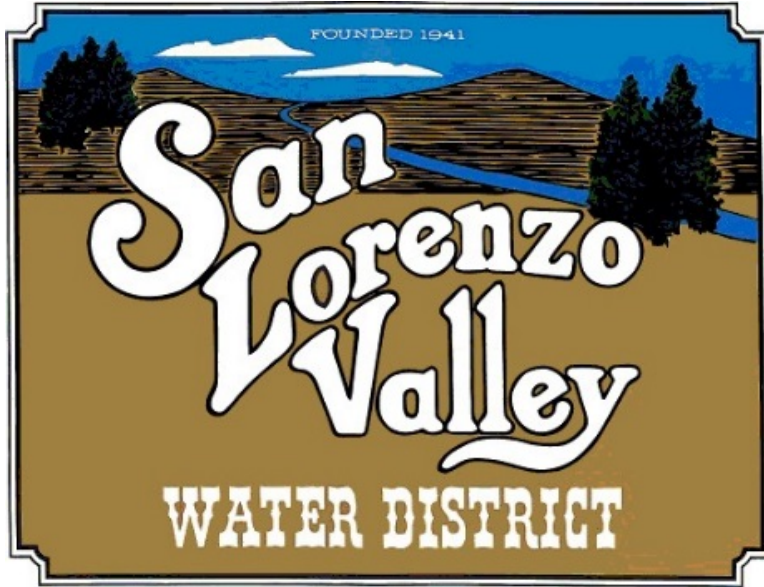
**Table of Contents**

	<b><u>Page No.</u></b>
Table of Contents	i-ii
<b>Introductory Section</b>	
Letter of Transmittal	1-6
Board of Directors	7
Organizational Chart	8
<b>Financial Section</b>	
Independent Auditor's Report	9-11
Management's Discussion and Analysis	12-18
Basic Financial Statements:	
Statements of Net Position	19-20
Statements of Revenues, Expenses and Changes in Net Position	21-22
Statements of Cash Flows	23-24
Notes to the Basic Financial Statements	25-54
Required Supplemental Information:	
Schedules of Funding Status – Other Post-Employment Benefits	55
Schedules of the District's Proportionate Share of the Net Pension Liability	56
Schedules of Pension Plan Contributions	57
Supplemental Information:	
Combining Schedule of Net Position as of June 30, 2016	58-59
Combining Schedule of Revenues, Expenses and Changes in Net Position For the Year Ended June 30, 2016	60-61
Combining Schedule of Net Position as of June 30, 2015	62-63
Combining Schedule of Revenues, Expenses and Changes in Net Position For the Year Ended June 30, 2015	64-65
<b>Statistical Information Section</b>	
Statistical Section – Table of Contents	66
Changes in Net Position – Last Ten Fiscal Years	67-68
Operating Revenues by Source – Last Ten Fiscal Years	69
Operating Expenses by Activity – Last Ten Fiscal Years	70
Revenue Base – Last Ten Fiscal Years	71
Revenue Rates – Last Ten Fiscal Years	72
Customers by Type – Last Ten Fiscal Years	73
Principal Customers – Current Fiscal Year and Nine Years Ago	74
Ratio of Outstanding Debt – Last Ten Fiscal Years	75
Debt Coverage – Last Ten Fiscal Years	76
Demographics and Economic Statistics – Last Ten Fiscal Years	77
Full-Time Equivalent Employees – Last Ten Fiscal Years	78
Operating and Capacity Indicators – Last Ten Fiscal Years	79

**San Lorenzo Valley Water District  
Comprehensive Annual Financial Report  
Fiscal Years Ended June 30, 2016 and 2015**

**Table of Contents, continued**

	<b><u>Page No.</u></b>
<b>Report on Internal Controls and Compliance</b>	
Independent Auditor's Report on Internal Control Over Financial Reporting And on Compliance and Other Matters Based on an Audits of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	80-81



## **Introductory Section**







January 17, 2017

Board of Directors  
San Lorenzo Valley Water District

## **Introduction**

It is our pleasure to submit the Comprehensive Annual Financial Report for the San Lorenzo Valley Water District for the fiscal year ended June 30, 2016, following guidelines set forth by the Governmental Accounting Standards Board (GASB). The purpose of this comprehensive report is to provide the Board of Directors, the public and other interested parties with reliable financial information about the District. This report conforms to the reporting and accounting standards of GASB and the Financial Accounting Standards Board (FASB).

Management assumes full responsibility for the completeness and reliability of the information contained in this report, including all disclosures, based upon a framework of internal controls that was established for this purpose. The District maintains an internal control structure designed to ensure that the assets of the District are protected from loss, theft, or misuse and to ensure adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). Because the cost of internal control should not exceed the anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

District policy requires that an independent certified public accounting firm, selected by the Board, audit the basic financial statements on an annual basis to ensure they are free of material misstatement. Fedak & Brown LLP has issued an unmodified (or clean) opinion on the District's basic financial statements for the fiscal year ended June 30, 2016. The Independent Auditor's Report is presented as the first component of the financial section of this report.

GAAP requires that management provide an overview, summary and analysis to accompany the basic financial statements. Management's Discussion and Analysis (MD&A) immediately follows the Independent Auditor's Report in the financial section. This letter of transmittal is designed to complement the analysis contained in the MD&A and should be read in conjunction with the financial section of this 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 29 employees. The District's Board of Directors meets regularly, meetings are publicly noticed and citizens are encouraged to attend.

## District Structure and Leadership, continued

The District owns, operates, and maintains four water systems that supply separate service areas from separate water sources. The North Service Area includes the unincorporated communities of Boulder Creek, Brookdale, Ben Lomond, Zayante, and Lompico. The South Service Area encompasses portions of the City of Scotts Valley and adjacent unincorporated neighborhoods. The Mañana Woods subdivision became part of the South Service Area as a result of the District's annexation of the Mañana Woods Mutual Water Company in July 2006. The Felton Service Area was acquired by the District from California American Water in September 2008 and includes the town of Felton and adjacent unincorporated areas. The Lompico area became part of the North Service Area as a result of the District's annexation of the Lompico County Water District in June 2016.

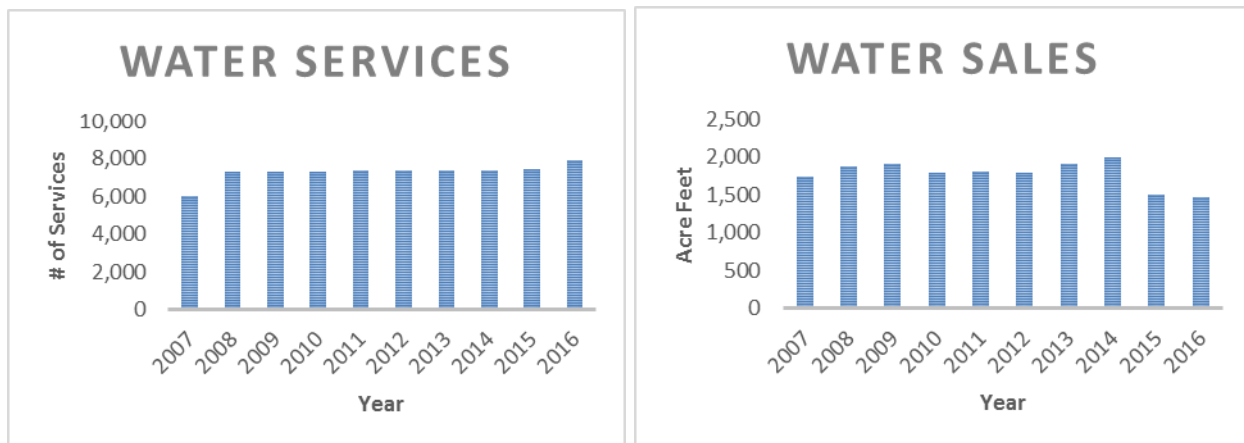
The District owns, operates, and maintains a wastewater system in Boulder Creek's Bear Creek Estates, which serves approximately 56 homes.

The District's boundaries comprise approximately 60 square miles and 170 miles of pipeline. The District currently provides service to approximately 7,900 residential, commercial, and institutional connections. The District relies on both surface water and groundwater resources, including nine currently active stream diversions, one groundwater spring, and eight active groundwater wells. These sources are derived solely from rainfall within the San Lorenzo River watershed.

## Economic Condition and Outlook

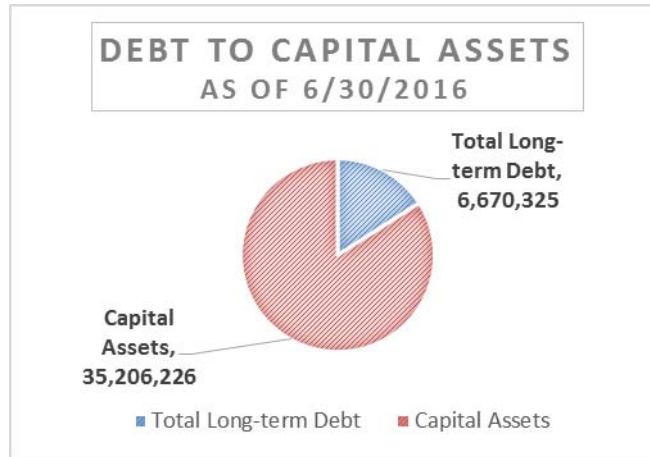
The District's administrative offices are located in the Town of Boulder Creek in Santa Cruz County. The economic outlook for the area is one of cautious growth as the regional economy recovers from prolonged recessionary pressures and drought conditions.

Over the years, the District's service area has changed from rural and vacation cabins to a more urbanized, year-round water-use area. Over 95% of the District's service connections are residential. With forecasted population growth to be minimal and customer drought conservation efforts that have now become routine, the financial impact on recent years is more extreme. In January 2016, a drought recovery fee was implemented for the drought caused revenue shortfall.



## Debt Administration

The District has bonded indebtedness and additional obligations under multiple agreements. Additional information regarding these can be found in the District's audited financial statements and accompanying notes.



## 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.

## Accounting and Budgetary Structure

The District operates with a fiscal year that begins July 1 and ends on June 30. GAAP requires the use of accrual accounting. The budget is based on the same accrual approach as the District's audited financial statements with some minor differences. Revenues are recognized on the financial statements in the accounting period in which they are earned and expenses are recognized when incurred, even though they may not have been received or paid in cash.

The District Board of Directors annually adopts an operating and capital budget prior to the new fiscal year. The budget authorizes and provides the basis for reporting and control of financial operations and accountability for the District's enterprise operations and capital projects. The budget may only be amended during the course of the fiscal year by Board action. The Board considers the requests of staff at regularly scheduled meetings and approves or rejects the requests by motion and majority vote. In years where revenue falls significantly short of budget expectations, comprehensive mid-year revisions to the budget may be brought to the Board for approval.

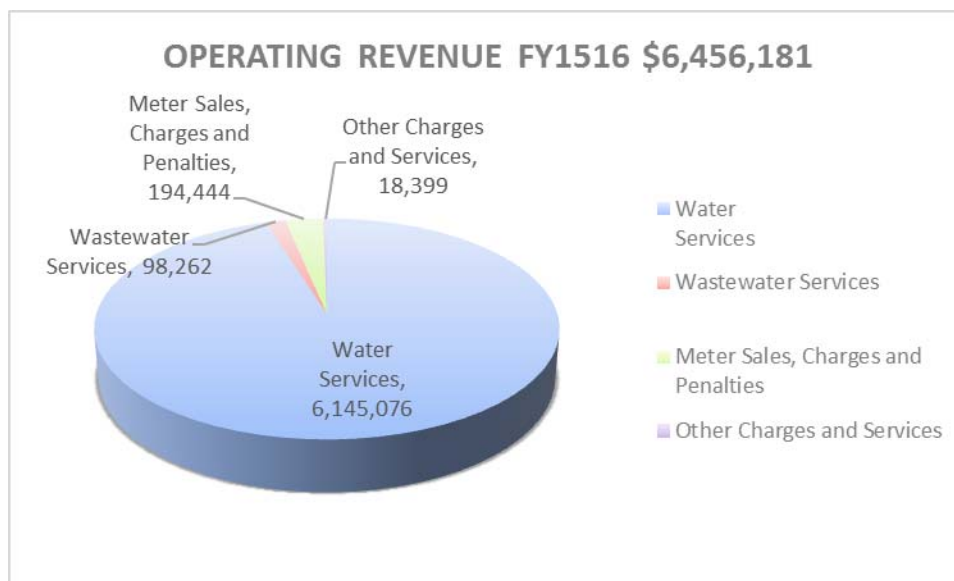
## Investment Policy

The Board of Directors has adopted an investment policy that conforms to state law, District policies and procedures, 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 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.

Over the last few years, District customers have decreased their water use significantly in response to state-wide drought mandates and District conservation programs. This created a gap between projected revenue and actual revenue. In January 2016, a drought surcharge was implemented to help compensate for this gap. In 2016, the District initiated a cost-of-service study, which will lead into a new rate study.



## **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:

- High efficiency clothes washer credit;
- High efficiency toilet credit (*suspended FY1516 while State of CA had an active program*);
- Turf replacement credit (*suspended FY1516 while State of CA had an active program*); and
- Weather based irrigation controller credit

## **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 (SDRMA). The purpose of SDRMA is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage. The District is also members of the Association of California Water Agencies (ACWA) and California Special District Association (CSDA). Board members and District staff can attend conferences and seminars that specify in risk management and other areas.

## **Awards and Acknowledgments**

In 2016, the District received the District Transparency Certificate of Excellence by the Special District Leadership Foundation (SDLF) of California in recognition of its outstanding efforts to promote transparency and good governance.

In order to receive the award, a special district must demonstrate the completion of eight essential governance transparency requirements. The requirements include conducting ethics training for all board members, properly conducting open and public meetings, and filing financial transactions and compensation reports to the State Controller in a timely manner.

The San Lorenzo Valley Water District also fulfilled 15 website requirements including providing readily available information to the public such as board agendas, past minutes, current district budget and the most recent financial audit.

Finally, the district had to demonstrate outreach to its constituents that engages the public in its governance through special community engagement projects and community transparency reviews.

## **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



## Board of Directors

A five member Board of Directors are elected by the San Lorenzo Valley area to set policy and govern the District. Currently the Board of Directors are:



**Randall Brown  
(President)**



**Gene Ratcliffe  
(Vice-President)**



**Charles Baughman  
(Director)**

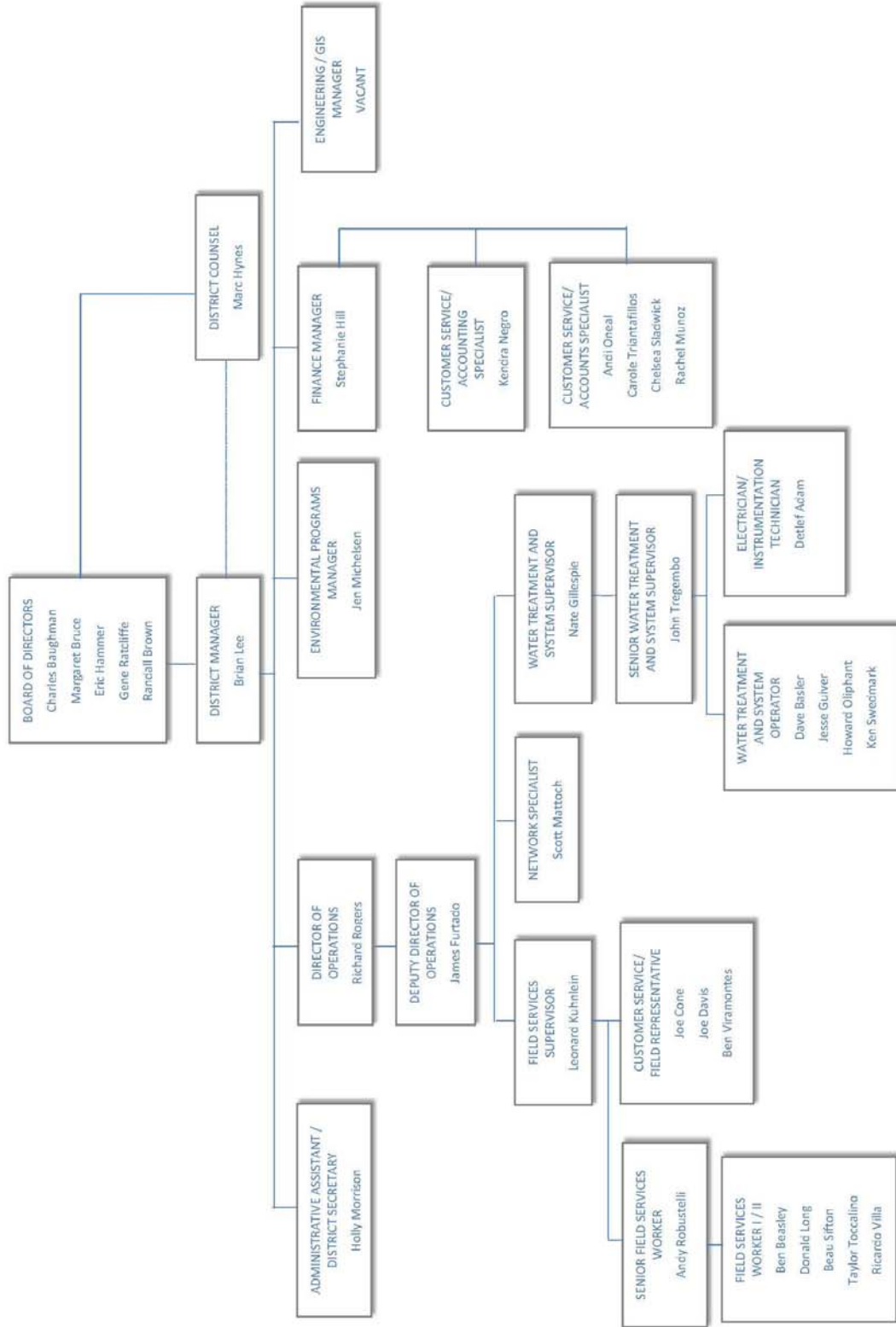


**Margaret Bruce  
(Director)**



**Eric Hammer  
(Director)**

**SAN LORENZO VALLEY WATER DISTRICT  
CURRENT ORGANIZATION CHART  
June 30, 2016**



## **Financial Section**





# 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

## 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 statements of net position as of June 30, 2016 and 2015, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years 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 opinions on these financial statements based on our audits. We conducted our audits 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 opinions.

### *Opinions*

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, 2016 and 2015, and the respective changes in net position, and, where applicable, cash flows thereof for the years 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 to the basic financial statements, the District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 72 – Fair Value Measurement and Application, GASB Statement No. 79 – Certain External Investment Pools and Pool Participants, for the year ended June 30, 2016, GASB Statement No. 68 – *Accounting and Financial Reporting for Pensions*, and GASB Statement 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 opinions are not modified with respect to these matters.

### ***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 12 through 18 and the required supplementary information on pages 55 through 57 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 8, the supplemental information schedules on pages 57 through 64, and the statistical section on pages 66 through 79, 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 and statistical sections have 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 January 17, 2017, 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 80 and 81.

A handwritten signature in dark ink that reads "Fedak & Brown LLP". The signature is written in a cursive, slightly slanted style.

**Fedak & Brown LLP**  
Cypress, California  
January 17, 2017

**< Page Intentionally Left Blank >**

**San Lorenzo Valley Water District**  
***Management's Discussion and Analysis***  
**For the Fiscal Years Ended June 30, 2016 and 2015**

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 years ended June 30, 2016 and 2015. 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**

- The District's net position increased 10.31% or \$2,636,351 to \$28,214,517. In fiscal year 2015, the District's net position decreased 2.82% or \$740,905 to \$25,578,166.
- Operating revenues increased 14.4% or \$812,710 to \$6,456,181. In fiscal year 2015, the District's operating revenues decreased 3.34% or \$195,017 to \$5,643,471.
- Non-operating revenues decreased 31.49% or \$306,163 to \$666,058. In fiscal year 2015, the District's non-operating revenues increased 44.38% or \$298,836 to \$972,221.
- Operating expenses increased 0.15% or \$8,505 to \$5,560,839. In fiscal year 2015, the District's operating expenses increased 7.32% or \$378,570 to \$5,552,334.
- Non-operating expenses increased 42.89% or \$55,652 to \$185,411. In fiscal year 2015, the District's non-operating expenses decreased 56.09% or \$165,754 to \$129,759.

**Required Financial Statements**

This annual report consists of a series of financial statements. The Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position and Statements 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 Statements of Net Position include 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 Statements of Revenues, Expenses and Changes in Net Position. These statements measure the success of the District's operations over the past years and can be used to determine if the District has successfully recovered all of its costs through its rates and other charges. These statements can also be used to evaluate profitability and credit worthiness. The final required financial statements are the Statements of Cash Flows, which provide information about the District's cash receipts and cash payments during the reporting period. The Statements of Cash Flows report 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 Statements of Net Position and the Statements of Revenues, Expenses, and Changes in Net Position report information about the District in a way that helps answer this question.

**San Lorenzo Valley Water District**  
**Management's Discussion and Analysis, continued**  
**For the Fiscal Years Ended June 30, 2016 and 2015**

**Financial Analysis of the District, continued**

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 25 through 54.

**Statements of Net Position**

**Condensed Statements of Net Position**

	<u>2016</u>	<u>As Restated 2015</u>	<u>Change</u>	<u>2014</u>	<u>Change</u>
<b>Assets:</b>					
Current assets	\$ 4,371,123	7,308,477	(2,937,354)	4,880,710	2,427,767
Non-current assets	-	102,252	(102,252)	3,728,460	(3,626,208)
Capital assets	<u>35,206,226</u>	<u>30,525,596</u>	<u>4,680,630</u>	<u>25,299,525</u>	<u>5,226,071</u>
<b>Total assets</b>	<u>39,577,349</u>	<u>37,936,325</u>	<u>1,641,024</u>	<u>33,908,695</u>	<u>4,027,630</u>
<b>Deferred outflows of resources</b>	<u>378,695</u>	<u>238,829</u>	<u>139,866</u>	<u>-</u>	<u>238,829</u>
<b>Liabilities:</b>					
Current liabilities	2,388,768	2,454,228	(65,460)	1,451,417	1,002,811
Non-current liabilities	<u>8,851,082</u>	<u>9,367,423</u>	<u>(516,341)</u>	<u>6,138,207</u>	<u>3,229,216</u>
<b>Total liabilities</b>	<u>11,239,850</u>	<u>11,821,651</u>	<u>(581,801)</u>	<u>7,589,624</u>	<u>4,232,027</u>
<b>Deferred inflows of resources</b>	<u>501,677</u>	<u>775,337</u>	<u>(273,660)</u>	<u>-</u>	<u>775,337</u>
<b>Net position:</b>					
Net investment in capital assets	28,535,901	23,227,784	5,308,117	18,981,706	4,246,078
Restricted	403,624	229,790	173,834	168,185	61,605
Unrestricted (deficit)	<u>(725,008)</u>	<u>2,120,592</u>	<u>(2,845,600)</u>	<u>7,169,180</u>	<u>(5,048,588)</u>
<b>Total net position</b>	<u>\$ 28,214,517</u>	<u>25,578,166</u>	<u>2,636,351</u>	<u>26,319,071</u>	<u>(740,905)</u>

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 \$28,214,517 and \$25,578,166 as of June 30, 2016 and 2015, respectively.

**San Lorenzo Valley Water District**  
**Management's Discussion and Analysis, continued**  
**For the Fiscal Years Ended June 30, 2016 and 2015**

**Statements of Net Position, continued**

Compared to the prior year, net position of the District increased 10.31% or \$2,636,351 in fiscal year 2016, and 2.82% or \$740,905 in fiscal year 2015. 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 (101% and 91% as of June 30, 2016 and 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 12 for further information.

At the end of fiscal years 2016 and 2015, the District showed a balance in its unrestricted net position (deficit) of \$(725,008) and \$2,120,592, respectively. See Note 12 for the amount of spendable net position that may be utilized in future years.

**Statements of Revenues, Expenses and Changes in Net Position**

**Condensed Statements of Revenues, Expenses and Changes in Net Position**

	2016	As Restated 2015	Change	2014	Change
<b>Revenues:</b>					
Operating revenues	\$ 6,456,181	5,643,471	812,710	5,838,488	(195,017)
Non-operating revenues	666,058	972,221	(306,163)	673,385	298,836
Total revenues	7,122,239	6,615,692	506,547	6,511,873	103,819
<b>Expenses:</b>					
Operating expenses	5,560,839	5,552,334	8,505	5,173,764	378,570
Non-operating expenses	185,411	129,759	55,652	295,513	(165,754)
Overhead absorption	(19,637)	(24,644)	(44,281)	(132,347)	107,703
Depreciation	1,326,056	1,139,110	186,946	1,172,504	(33,394)
Total expenses	7,052,669	6,796,559	256,110	6,509,434	287,125
Net income (loss) before capital contributions	69,570	(180,867)	250,437	2,439	(183,306)
<b>Capital contributions</b>	1,557,589	2,287,233	(729,644)	753,600	1,533,633
<b>Change in net position</b>	1,627,159	2,106,366	(479,207)	756,039	1,350,327
<b>Transfer in from merger</b>	1,009,192	-	1,009,192	-	-
<b>Net position, beginning of period, as restated</b>	25,578,166	26,319,071	(740,905)	25,563,032	756,039
<b>Prior period adjustment (note 5)</b>	-	(2,847,271)	2,847,271	-	(2,847,271)
<b>Net position, beginning of period, as restated</b>	26,587,358	23,471,800	3,115,558	25,563,032	(2,091,232)
<b>Net position – end of period</b>	\$ 28,214,517	25,578,166	2,636,351	26,319,071	(740,905)

**San Lorenzo Valley Water District**  
**Management's Discussion and Analysis, continued**  
**For the Fiscal Years Ended June 30, 2016 and 2015**

**Statements of Revenues, Expenses and Changes in Net Position, continued**

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

The District's net position increased 10.31% or \$2,636,351 to \$28,214,517, which is comprised of an increase from operations of \$1,627,159 and an increase from the transfer of operations of the Lompico County Water District (Lompico) in the amount of \$1,009,192. Please see note 11 of the basic financial statements for further discussion. In fiscal year 2015, the District's net position decreased 2.82% or \$740,905 to \$25,578,166, which is comprised of an increase from operations of \$2,106,366 and a decrease from a prior period adjustment in the amount of \$2,847,271. Please see note 5 of the basic financial statements for further discussion.

**Total Revenues**

	<u>2016</u>	<u>As Restated 2015</u>	<u>Change</u>	<u>2014</u>	<u>Change</u>
<b>Operating revenues:</b>					
Water consumption sales	\$ 6,145,076	5,402,115	742,961	5,669,459	(267,344)
Wastewater service	98,262	100,088	(1,826)	101,637	(1,549)
Meter sales, charges and penalties	194,444	124,896	69,548	54,111	70,785
Other charges and services	18,399	16,372	2,027	13,281	3,091
Total operating revenues	<u>6,456,181</u>	<u>5,643,471</u>	<u>812,710</u>	<u>5,838,488</u>	<u>(195,017)</u>
<b>Non-operating revenues:</b>					
Property tax/assessment revenues	610,634	762,752	(152,118)	478,632	284,120
Realized gain on investments	11,502	-	11,502	159,023	(159,023)
Rental revenue	43,922	29,713	14,209	30,378	(665)
Gain on disposition of capital assets	-	34,499	(34,499)	2,000	32,499
Settlement and purchase agreements	-	145,257	(145,257)	3,352	141,905
Total non-operating revenues	<u>666,058</u>	<u>972,221</u>	<u>(306,163)</u>	<u>673,385</u>	<u>298,836</u>
<b>Capital contributions:</b>					
Capital grants - other governments	<u>1,557,589</u>	<u>2,287,233</u>	<u>(729,644)</u>	<u>753,600</u>	<u>1,533,633</u>
<b>Total revenues</b>	<u>\$ 8,679,828</u>	<u>8,902,925</u>	<u>(223,097)</u>	<u>7,265,473</u>	<u>1,637,452</u>

The District's total revenues decreased \$223,097. Operating revenues increase by \$812,710, primarily due to an increase in water consumption sales of \$742,961 and an increase in meter sales, charges and penalties of \$69,548. Non-operating revenues decrease by \$306,163, primarily due to decreases of \$152,118 in property tax/assessment revenues and a \$145,257 decrease in settlement and purchase agreements. Capital contributions decrease by \$729,644 due to the completion of its grant project with the California Department of Public Health (State).

In fiscal year 2015, total revenues increased \$1,637,452. Operating revenues decreased by \$195,017, primarily due to a decrease in water consumption sales of \$267,344, which was offset by increases of \$70,785 in meter sales, charges and penalties and \$3,091 in other charges and services. Non-operating revenues increased by \$298,836, primarily due to increases of \$284,120 in property tax/assessment revenues. Capital contributions increased by \$1,533,633 due to the recognition of grant revenue in relation to project cost incurred during the year for its grant project with the State.



**San Lorenzo Valley Water District**  
**Management's Discussion and Analysis, continued**  
**For the Fiscal Years Ended June 30, 2016 and 2015**

**Total Expenses**

	<u>2016</u>	<u>2015</u>	<u>Change</u>	<u>2014</u>	<u>Change</u>
<b>Operating expenses:</b>					
Salaries and benefits	\$ 3,304,540	3,463,964	(159,424)	3,130,819	333,145
Professional services	868,218	764,684	103,534	775,081	(10,397)
Operational	410,342	312,377	97,965	397,011	(84,634)
Maintenance	183,215	143,216	39,999	152,250	(9,034)
Facilities	442,014	495,691	(53,677)	484,573	11,118
General and administrative	352,510	372,402	(19,892)	234,030	138,372
Total operating expenses	<u>5,560,839</u>	<u>5,552,334</u>	<u>8,505</u>	<u>5,173,764</u>	<u>378,570</u>
<b>Non-operating expenses:</b>					
Realized loss on investments	-	1,909	(1,909)	-	1,909
Interest expense	185,411	127,850	57,561	295,513	(167,663)
Total non-operating expenses	<u>185,411</u>	<u>129,759</u>	<u>55,652</u>	<u>295,513</u>	<u>(165,754)</u>
<b>Total expenses</b>	<u>\$ 5,746,250</u>	<u>5,682,093</u>	<u>64,157</u>	<u>5,469,277</u>	<u>212,816</u>

The District's total expenses increased \$64,157. The District's operating expenses increased by \$8,505. The District's non-operating expenses increased \$55,652, primarily due to an increase in interest expense of \$57,561.

In fiscal year 2015, the District's total expenses increased by \$212,816. The District's operating expenses increased by \$378,570, primarily due to increases of \$333,145 in salaries and benefits, \$138,372 in general and administrative, and \$11,118 in facilities, which was offset by decreases of \$84,634 in operational, \$10,397 in professional services and \$9,034 in maintenance. The increase in operating expenses was offset by a decrease in non-operating expenses of \$165,754, primarily due to a \$167,663 decrease in interest expense, which was offset by an increase in investment earnings of \$1,909.

**Capital Asset Administration**

Change in capital assets amounts for 2016, were as follows:

	<u>Balance</u>		<u>Transfers/</u>	<u>Balance</u>
	<u>2015</u>	<u>Additions</u>	<u>Disposals</u>	<u>2016</u>
Capital assets:				
Non-depreciable assets	\$ 13,979,427	4,789,884	(3,796,857)	14,972,454
Depreciable assets	41,383,575	7,900,160	-	49,283,735
Accumulated depreciation	<u>(24,837,406)</u>	<u>(4,212,557)</u>	<u>-</u>	<u>(29,049,963)</u>
Total capital assets	<u>\$ 30,525,596</u>	<u>8,477,487</u>	<u>(3,796,857)</u>	<u>35,206,226</u>

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

	<u>Balance</u>		<u>Transfers/</u>	<u>Balance</u>
	<u>2014</u>	<u>Additions</u>	<u>Disposals</u>	<u>2015</u>
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	<u>(23,743,854)</u>	<u>(1,139,110)</u>	<u>45,558</u>	<u>(24,837,406)</u>
Total capital assets	<u>\$ 25,299,525</u>	<u>5,999,532</u>	<u>(773,461)</u>	<u>30,525,596</u>

**San Lorenzo Valley Water District**  
**Management's Discussion and Analysis, continued**  
**For the Fiscal Years Ended June 30, 2016 and 2015**

**Capital Asset Administration, continued**

At the end of fiscal years 2016 and 2015, the District's investment in capital assets amounted to \$35,206,226 and \$30,525,596 (net of accumulated depreciation), respectively. 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 water transmission and distribution system and office equipment.

The District's additions to accumulated depreciation include depreciation expense of \$1,326,056 and the transfer of accumulated depreciation balance from Lompico in the amount of \$2,886,501.

See Note 6 for further capital asset information.

**Debt Administration**

Changes in long-term debt amounts for the year ended June 30, 2016, were as follows:

	<u>Balance 2015</u>	<u>Additions</u>	<u>Principal Payments</u>	<u>Balance 2016</u>
Long-term debt:				
Notes payable	\$ 3,554,130	3,643	(140,780)	3,416,993
Bonds payable	<u>3,743,682</u>	<u>126,000</u>	<u>(616,350)</u>	<u>3,253,332</u>
Total long-term debt	<u>\$ 7,297,812</u>	<u>129,643</u>	<u>(757,130)</u>	<u>6,670,325</u>

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

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

In 2016, long term debt increased by \$129,643, primarily due to additions to long term debt of \$126,000, as a result of the Lompico merger, which was offset by a \$757,130 decrease due to principal payments. In 2015, long term debt increased by \$1,618,584, primarily due to additions of \$1,618,584, as a result of the State Revolving Fund Loan with the State, which was offset by a \$737,932 decrease due to principal payments. See Note 9 for further long-term debt service information.

**Conditions Affecting Current Financial Position**

Due to Lompico County Water District's (Lompico) limited revenue stream and increasing costs to provide adequate service, Lompico was annexed with the San Lorenzo Valley Water District on June 1, 2016. See Notes 1 and 11.

Except for the above condition, management is unaware of any other conditions at June 30, 2016, that would have a significant impact on the District's financial position, net position, or operating results in terms of past, present and future.

**San Lorenzo Valley Water District**  
***Management's Discussion and Analysis, continued***  
**For the Fiscal Years Ended June 30, 2016 and 2015**

**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**  
**Statements of Net Position**  
**June 30, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
<b>Current assets:</b>		
Cash & cash equivalents (note 2)	\$ 1,676,923	2,844,867
Cash & cash equivalents – restricted (note 2)	403,624	229,790
Accrued interest receivable	155	3,984
Investments (note 2)	930,412	686,198
Accounts receivable – water sales and services	993,952	518,262
Accounts receivable – property taxes	1,296	2,684
Accounts receivable – settlement agreement (note 3)	36,392	36,392
Accounts receivable – grant and loan receivable (note 4)	31,530	2,660,264
Accounts receivable – other	29,986	51,951
Prepaid expenses	41,526	49,670
Materials and supplies inventory	<u>225,327</u>	<u>224,415</u>
<b>Total current assets</b>	<u>4,371,123</u>	<u>7,308,477</u>
<b>Non-current assets:</b>		
Investments (note 2)	-	102,252
Capital assets – not being depreciated (note 6)	14,972,454	13,979,427
Capital assets – being depreciated (note 6)	<u>20,233,772</u>	<u>16,546,169</u>
<b>Total non-current assets</b>	<u>35,206,226</u>	<u>30,627,848</u>
<b>Deferred outflows of resources:</b>		
Deferred pension outflows (note 10)	<u>378,695</u>	<u>238,829</u>
<b>Total deferred outflows of resources</b>	<u>\$ 378,695</u>	<u>238,829</u>

Continued on next page

See accompanying notes to the basic financial statements

**San Lorenzo Valley Water District**  
**Statements of Net Position, continued**  
**June 30, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
<b>Current liabilities:</b>		
Accounts payable and accrued expense	\$ 941,375	1,143,361
Accrued wages and related payables	175,956	169,301
Unearned revenues – customer deposits	83,306	63,285
Unearned revenues – construction deposits	121,360	117,606
Accrued interest payable	28,940	32,318
Long-term liabilities – due in one year:		
Compensated absences (note 7)	164,577	171,227
Loans payable (note 9)	175,775	140,780
Bonds payable (note 9)	697,479	616,350
<b>Total current liabilities</b>	<u>2,388,768</u>	<u>2,454,228</u>
<b>Non-current liabilities:</b>		
Long-term liabilities – due in more than one year:		
Compensated absences (note 7)	292,582	304,404
Other post-employment benefits payable (note 8)	238,911	214,707
Net pension liability (note 10)	2,522,518	2,307,630
Loans payable (note 9)	3,241,218	3,413,350
Bonds payable (note 9)	2,555,853	3,127,332
<b>Total non-current liabilities</b>	<u>8,851,082</u>	<u>9,367,423</u>
<b>Deferred inflows of resources</b>		
Deferred pension inflows (note 10)	501,677	775,337
<b>Total deferred inflows of resources</b>	<u>501,677</u>	<u>775,337</u>
<b>Net position: (note 12)</b>		
Net investment in capital assets	28,535,901	23,227,784
Restricted for debt service	403,624	229,790
Unrestricted (deficit)	(725,008)	2,120,592
<b>Total net position</b>	<u>\$ 28,214,517</u>	<u>25,578,166</u>

See accompanying notes to the basic financial statements



**San Lorenzo Valley Water District**  
**Statements of Revenues, Expenses and Changes in Net Position**  
**For the Fiscal Years Ended June 30, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
<b>Operating revenues:</b>		
Water consumption sales	\$ 6,145,076	5,402,115
Wastewater service	98,262	100,088
Meter sales, charges and penalties	194,444	124,896
Other charges and services	<u>18,399</u>	<u>16,372</u>
Total operating revenues	<u>6,456,181</u>	<u>5,643,471</u>
<b>Operating expenses:</b>		
Salaries and benefits	3,304,540	3,463,964
Professional services	868,218	764,684
Operational	410,342	312,377
Maintenance	183,215	143,216
Facilities	442,014	495,691
General and administrative	<u>352,510</u>	<u>372,402</u>
Total operating expenses	<u>5,560,839</u>	<u>5,552,334</u>
Operating income before overhead absorption	895,342	91,137
Overhead absorption	<u>19,637</u>	<u>24,644</u>
Operating income before depreciation expense	914,979	115,781
Depreciation expense	<u>(1,326,056)</u>	<u>(1,139,110)</u>
<b>Operating loss</b>	<u>\$ (411,077)</u>	<u>(1,023,329)</u>

Continued on next page

See accompanying notes to the basic financial statements

**San Lorenzo Valley Water District**  
**Statements of Revenues, Expenses and Changes in Net Position, continued**  
**For the Fiscal Years Ended June 30, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
<b>Non-operating revenues (expenses):</b>		
Property tax/assessment revenues	\$ 610,634	762,752
Realized gain (loss) on investments	11,502	(1,909)
Rental revenue	43,922	29,713
Interest expense	(185,411)	(127,850)
Gain on disposition of capital assets	-	34,499
Settlement and purchase agreements	-	145,257
	<u>480,647</u>	<u>842,462</u>
Total non-operating revenues, net	<u>480,647</u>	<u>842,462</u>
Net income (loss) before capital contributions	<u>69,570</u>	<u>(180,867)</u>
<b>Capital contributions:</b>		
Capital grants – other governments	<u>1,557,589</u>	<u>2,287,233</u>
Total capital contributions	<u>1,557,589</u>	<u>2,287,233</u>
<b>Change in net position</b>	1,627,159	2,106,366
<b>Transfer in from merger (note 11)</b>	1,009,192	-
<b>Net position, beginning of period, as restated (note 5)</b>	<u>25,578,166</u>	<u>23,471,800</u>
<b>Net position, end of period</b>	<u><u>\$ 28,214,517</u></u>	<u><u>25,578,166</u></u>

See accompanying notes to the basic financial statements

**San Lorenzo Valley Water District**  
**Statements of Cash Flows**  
**For the Fiscal Years Ended June 30, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
<b>Cash flows from operating activities:</b>		
Cash receipts from customers for sales and services	\$ 6,007,832	5,683,795
Cash paid to employees for salaries and wages	(3,316,357)	(2,100,713)
Cash paid to vendors for materials and services	(2,607,088)	(2,207,651)
Net cash provided by operating activities	<u>84,387</u>	<u>1,375,431</u>
<b>Cash flows from non-capital financing activities:</b>		
Proceeds from property taxes/assessments	612,022	782,670
Proceeds from rental revenue	43,922	29,713
Transfer in from merger	1,009,192	-
Net cash provided by non-capital financing activities	<u>1,665,136</u>	<u>812,383</u>
<b>Cash flows from capital and related financing activities:</b>		
Acquisition and construction of capital assets	(5,987,049)	(6,306,038)
Proceeds from capital contributions	4,186,323	380,569
Proceeds from long-term debt	129,643	1,618,584
Principal paid on long-term debt	(757,130)	(737,932)
Interest paid on long-term debt	(188,789)	(158,707)
Net cash used in capital and related financing activities:	<u>(2,617,002)</u>	<u>(5,203,524)</u>
<b>Cash flows from investing activities:</b>		
Proceeds from sale of investments	(141,962)	3,619,487
Purchases of investments	-	-
Proceeds from investment earnings	15,331	11,061
Net cash (used in) provided by investing activities	<u>(126,631)</u>	<u>3,630,548</u>
<b>Net (decrease) increase in cash and cash equivalents</b>	<u>(994,110)</u>	<u>614,838</u>
<b>Cash and cash equivalents, beginning of year</b>	<u>3,074,657</u>	<u>2,459,819</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 2,080,547</u>	<u>3,074,657</u>
<b>Reconciliation of cash and cash equivalents to statement of net position:</b>		
Cash and cash equivalents	\$ 1,676,923	2,844,867
Cash and cash equivalents – restricted	<u>403,624</u>	<u>229,790</u>
Total cash and cash equivalents	<u>\$ 2,080,547</u>	<u>3,074,657</u>

Continued on next page

See accompanying notes to the basic financial statements

**San Lorenzo Valley Water District**  
**Statements of Cash Flows, continued**  
**For the Fiscal Years Ended June 30, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
<b>Reconciliation of operating loss to net cash provided by operating activities:</b>		
<b>Operating loss</b>	\$ <u>(411,077)</u>	<u>(1,023,329)</u>
<b>Adjustments to reconcile operating loss to net cash provided by operating activities:</b>		
Depreciation and amortization	1,326,056	1,139,110
Overhead absorption	(19,637)	(24,644)
Other non-operating revenues, net	-	145,257
<b>Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:</b>		
(Increase) decrease in assets and deferred outflows of resources:		
Accounts receivable – water sales and services, net	(475,690)	(124,698)
Accounts receivable – settlement agreement	-	172,162
Accounts receivable – other	21,965	16,965
Prepaid expenses	8,144	49,670
Materials and supplies inventory	(912)	(46,531)
Deferred outflows of resources	(139,866)	(238,829)
Increase (decrease) in liabilities and deferred inflows of resources:		
Accounts payable and accrued expense	(201,986)	845,977
Accrued wages and related payables	6,655	142,331
Unearned revenues – customer deposits	20,021	21,077
Unearned revenues – construction deposits	3,754	(28,810)
Compensated absences	(18,472)	74,808
Other post-employment benefits	24,204	19,219
Net pension liability	214,888	(539,641)
Deferred inflows of resources	<u>(273,660)</u>	<u>775,337</u>
<b>Total adjustments</b>	<u>495,464</u>	<u>2,398,760</u>
<b>Net cash provided by operating activities</b>	\$ <u><u>84,387</u></u>	<u><u>1,375,431</u></u>

See accompanying notes to the basic financial statements

**San Lorenzo Valley Water District**  
**Notes to the Financial Statements**  
**For the Fiscal Years Ended June 30, 2016 and 2015**

**(1) Reporting Entity and Summary of Significant Accounting Policies**

**A. Organization and Operations of the Reporting Entity**

The San Lorenzo Valley Water District (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.

Lompico County Water District (Lompico) was organized on April 3, 1963. Lompico provides facilities and services in the rural area known as Lompico, California. Lompico utilizes Water fund to account for its operations. Lompico provides water service to approximately 500 customers within its service area.

On June 1, 2016, Lompico was dissolved and annexed with the District. Pursuant to Government Code Section 57200, a certificate is issued by the Executive Officer of the Local Agency Formation Commission (LAFCO) of Santa Cruz County, California to complete the reorganization between Lompico and the District. The reorganization between Lompico and the District was approved by the Local Agency Formation Commission (LAFCO) on August 6, 2014 under LAFCO Resolution No. 953-A. Please see note 11 for a detailed discussion of the transfer of operations between Lompico and the District.

The criteria used in determining the transfer of operations is based on the provisions of Governmental Accounting Statements No. 69 (GASB 69), *Government Combinations and Disposals of Government Operations*. The effective transfer date of operations is June 1, 2016, which is the date the District obtains control of the assets and deferred outflows of resources and becomes obligated for the liabilities and deferred inflows of resources of Lompico's operation transferred. The District should recognize the carrying values of assets, deferred outflows of resources, liabilities and deferred inflows of resources of the operations of Lompico as of June 1, 2016. The net position received or assumed by the District should be reported as a special item in the statement of revenues, expenditures and changes in fund balances in the period in which the transfer occurs.

**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.

**San Lorenzo Valley Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2016 and 2015**

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

**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.

The District has adopted the following GASB pronouncements in the current year:

*Government Accounting Standards Board Statement No. 72*

In February 2015, the GASB issued Statement No. 72 – *Fair Value Measurement and Application*, effective for financial statements for periods beginning after June 15, 2015.

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 establishes a hierarchy of inputs to valuation techniques used to measure fair value.

*Government Accounting Standards Board Statement No. 73*

In June 2015, the GASB issued Statement No. 73 – *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statement 67 and 68*, effective for fiscal years beginning after June 15, 2015.

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.

*Government 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*, effective for financial statements for periods beginning after June 15, 2015.

This Statement replaces the requirements of Statement No. 55, *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 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 is not specified within the source of authoritative GAAP.

*Government Accounting Standards Board Statement No. 79*

In December 2015, the GASB issued Statement No. 79 – *Certain External Investment Pools and Pool Participants*, effective for financial statements for periods beginning after June 15, 2015.

**San Lorenzo Valley Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2016 and 2015**

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

**C. Financial Reporting, continued**

*Government Accounting Standards Board Statement No. 79, continued*

This Statement enhances comparability of financial statements among governments by establishing specific criteria used to determine whether a qualifying external investment pool may elect to use an amortized cost exception to fair value measurement. Those criteria will provide qualifying external investment pools and participants in those pools with consistent application of an amortized cost-based measurement for financial reporting purposes. That measurement approximates fair value and mirrors the operations of external investment pools that transact with participants at a stable net asset value per share.

**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**

The District has adopted an investment policy directing the Finance Manager to deposit and invest funds in financial institutions in accordance with California Government Code section 53600. The investment policy applies to all financial assets and investment activities of the District.

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. Fair Value Measurement**

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on valuation inputs used to measure the fair value of the asset, as follows:

- **Level 1** – Valuation is based on quoted prices in active markets for identical assets.
- **Level 2** – Valuation is based on directly observable and indirectly observable inputs. These inputs are derived principally from or corroborated by observable market data through correlation or market-corroborated inputs. The concept of market-corroborated inputs incorporates observable market data such as interest rates and yield curves that are observable at commonly quoted intervals.
- **Level 3** – Valuation is based on unobservable inputs where assumptions are made based on factors such as prepayment rates, probability of defaults, loss severity and other assumptions that are internally generated and cannot be observed in the market.

**San Lorenzo Valley Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2016 and 2015**

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

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

**5. 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.

**6. 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

**7. 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.

**8. 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.

**9. 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.

**10. 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



**San Lorenzo Valley Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2016 and 2015**

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

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

**11. Deferred Outflows of Resources**

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

**12. Compensated Absences**

The District's policy is to permit employees to accumulate earned paid time off. 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 paid time off except for those employees that have not completed the probationary period.

**13. 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.

**14. Deferred Inflows of Resources**

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

**15. 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 fiscal year 2016, the following timeframes are used:

- Valuation Date: June 30, 2014 and 2013
- Measurement Date: June 30, 2015 and 2014
- Measurement Period: July 1, 2014 to June 30, 2015 and July 1, 2013 to June 30, 2014

**16. Water and Sewer Sales**

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

**17. 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.

**San Lorenzo Valley Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2016 and 2015**

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

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

**18. 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.

**19. 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:

	<u><b>2016</b></u>	<u><b>2015</b></u>
Cash and cash equivalents	\$ 1,676,923	2,844,867
Cash and cash equivalents – restricted	403,624	229,790
Investments – current	930,412	686,198
Investments – non current	<u>-</u>	<u>102,252</u>
Total cash and investments	<u><u>\$ 3,010,959</u></u>	<u><u>3,863,107</u></u>

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

	<u><b>2016</b></u>	<u><b>2015</b></u>
Cash on hand	\$ 600	350
Deposits with financial institutions	1,728,641	2,841,166
Investments	<u>1,281,718</u>	<u>1,021,591</u>
Total cash and investments	<u><u>\$ 3,010,959</u></u>	<u><u>3,863,107</u></u>

**San Lorenzo Valley Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2016 and 2015**

**(2) Cash and Investments, continued**

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

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

	<u>2016</u>	<u>2015</u>
Deposits held with the California Local Agency Investment Fund	167 days	239 days
Deposits held with the County of Santa Cruz Investment Fund	377 days	453 days

***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.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
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
County of Santa Cruz Investment Fund	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. At June 30, 2016 and 2015, the District held 7.8% and 52.1% or \$100,289 and \$532,224, respectively, 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.

**San Lorenzo Valley Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2016 and 2015**

**(2) Cash and Investments, continued**

***Custodial Credit Risk, continued***

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).

***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.

The District's deposit and withdrawal restrictions and limitations are as follows:

- Same day transaction processing occurs for orders received before 10:00 a.m.
- Next day transactions processing occurs for orders received after 10:00 a.m.
- Maximum limit of 15 transactions (combination of deposits and withdrawals) per month.
- Minimum transaction amount requirement of \$5,000, in increments of a \$1,000 dollars.
- Withdrawals of \$10,000,000 or more require 24 hours advance.
- Prior to funds transfer, an authorized person must call LAIF to do a verbal transaction.

***Investment in County of Santa Cruz Investment Pool***

The District is a voluntary participant in the County of Santa Cruz Investment Fund (Fund) that is established and controlled by the Treasury-Tax Department of the County Santa Cruz to afford smaller agencies the benefits of a larger investment portfolio, including higher interest rates and greater diversification. Authority for the County of Santa Cruz Investment Fund is delegated to the County of Santa Cruz Treasurer. The fair value of the District's investment in this fund is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the Fund for the entire Fund portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the Fund, which are stated at cost in accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools".

The District's deposit and withdrawal restrictions and limitations are as follows:

- Notice must be submitted to the County at least one day prior to actual fund transfer or withdrawal.
- Transactions amounting to \$1,000,000 must be provided with a 2 day notice.
- All requests must be in writing. Verbal transactions are not permitted.

**San Lorenzo Valley Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2016 and 2015**

**(2) Cash and Investments, continued**

***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, 2016, are as follows:

Investment Type	Total	Remaining Maturity (in Months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	61 and Thereafter
Certificates of deposit	\$ 100,289	100,289	-	-	-
Local Agency Investment Fund	3,363	3,363	-	-	-
County of Santa Cruz Investment Fund	828,329	828,329	-	-	-
Held by bond trustee:					
Money market funds	349,737	349,737	-	-	-
Total	\$ 1,281,718	1,281,718	-	-	-

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

Investment Type	Total	Remaining Maturity (in Months)			
		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	-	-	-
County of Santa Cruz Investment Fund	256,226	256,226	-	-	-
Held by bond trustee:					
Money market funds	229,790	229,790	-	-	-
Total	\$ 1,021,591	919,339	102,252	-	-

***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, 2016 and 2015.

***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.

**San Lorenzo Valley Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2016 and 2015**

**(2) Cash and Investments, continued**

Credit ratings of investments as of June 30, 2016, were as follows:

Investment Type	Total	Minimum Legal Rating	Exempt From Disclosure	Rating as of Year End	
				AA+	Not Rated
Certificates of deposit	\$ 100,289	N/A	-	-	100,289
Local Agency Investment Fund	3,363	N/A	-	-	3,363
County of Santa Cruz Investment Fund	828,329	N/A	-	-	828,329
Held by bond trustee:					
Money market funds	349,737	AAA	349,737		
Total	\$ 1,281,718		349,737	-	931,981

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

Investment Type	Total	Minimum Legal Rating	Exempt From Disclosure	Rating as of Year End	
				AA+	Not Rated
Certificates of deposit	\$ 532,224	N/A	-	-	532,224
Local Agency Investment Fund	3,351	N/A	-	-	3,351
County of Santa Cruz Investment Fund	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

**(3) 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 years ended June 30, 2016 and 2015, respectively. Total reimbursement revenue was \$145,257 for the year ended June 30, 2015.

**(4) Accounts Receivable – Grant and Loan Receivable**

The balance at June 30, consists of the following:

	2016	2015
Scotts Valley Water District	\$ 31,530	1,992,375
California Department of Public Health	-	667,889
Accounts receivable – grant and loan receivable	\$ 31,530	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 \$31,530 and \$1,992,375 for the years ended June 30, 2016 and 2015.

**San Lorenzo Valley Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2016 and 2015**

**(4) Accounts Receivable – Grant and Loan Receivable, continued**

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 9 for further discussion.

**(5) Prior Period Adjustment**

***Unbilled Receivable***

In fiscal year 2015, the District did not recognized water usage for the unbilled month of June 2015. As a result, the District recorded a prior period adjustment to net position in the amount of \$164,581. The following table provides a summary of the restatement at June 30, 2016:

Net position at June 30, 2015, as previously stated	\$ 25,413,585
Effect of adjustment to record unbilled receivable	<u>164,581</u>
Net position at June 30, 2015, as restated	<u>\$ 25,578,166</u>

***Net Pension Liability***

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.

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

**San Lorenzo Valley Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2016 and 2015**

**(6) Capital Assets**

Changes in capital assets for 2016, were as follows:

	<u>Balance 2015</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 2016</u>
Non-depreciable assets:				
Land	\$ 5,072,763	34,820	-	5,107,583
Construction-in process	<u>8,906,664</u>	<u>4,755,064</u>	<u>(3,796,857)</u>	<u>9,864,871</u>
Total non-depreciable assets	<u>13,979,427</u>	<u>4,789,884</u>	<u>(3,796,857)</u>	<u>14,972,454</u>
Depreciable assets:				
Water transmission and distribution	34,732,246	3,775,571	-	38,507,817
Wastewater system	1,447,521	-	-	1,447,521
Buildings and structures	2,904,194	3,805,880	-	6,710,074
Transportation equipment	912,915	86,902	-	999,817
Field and shop equipment	867,710	-	-	867,710
Office equipment	<u>518,989</u>	<u>231,807</u>	<u>-</u>	<u>750,796</u>
Total depreciable assets	<u>41,383,575</u>	<u>7,900,160</u>	<u>-</u>	<u>49,283,735</u>
Accumulated depreciation:				
Water transmission and distribution	(20,820,173)	(3,906,247)	-	(24,726,420)
Wastewater system	(948,984)	(39,450)	-	(988,434)
Buildings and structures	(1,235,120)	(92,309)	-	(1,327,429)
Transportation equipment	(728,179)	(40,819)	-	(768,998)
Field and shop equipment	(639,583)	(37,597)	-	(677,180)
Office equipment	<u>(465,367)</u>	<u>(96,135)</u>	<u>-</u>	<u>(561,502)</u>
Total accumulated depreciation	<u>(24,837,406)</u>	<u>(4,212,557)</u>	<u>-</u>	<u>(29,049,963)</u>
Total depreciable assets, net	<u>16,546,169</u>	<u>3,687,603</u>	<u>-</u>	<u>20,233,772</u>
Total capital assets, net	<u>\$ 30,525,596</u>	<u>8,477,487</u>	<u>(3,796,857)</u>	<u>35,206,226</u>

In fiscal year 2016, major capital assets additions include upgrades as follows: water transmission and distribution systems \$3,775,571, building and structures \$3,805,880 (includes the transfer from Lompico amounting to \$3,766,240), office equipment \$231,807 and the transfer of transportation equipment balance from Lompico amounting to \$86,902.

In fiscal year 2016, the District's additions to accumulated depreciation of \$4,212,557 include depreciation expense of \$1,326,056 and the transfer of accumulated depreciation balance from Lompico amounting to \$2,886,501. Of the District's total depreciation expense of \$1,326,056, \$1,286,606 and \$39,450 was charged to the District's water and sewer fund, respectively.

***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. Construction in process during fiscal year 2016 consisted of Intertie Projects \$1,968,844, Olympia Mutual Project \$1,708,993, Springbrook \$231,806 and various miscellaneous projects \$845,421, totaling \$4,755,064. The balance of construction-in-process was \$9,864,871 at June 30, 2016.



**San Lorenzo Valley Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2016 and 2015**

**(6) Capital Assets, continued**

Changes in capital assets for 2015, were as follows:

	<u>Balance 2014</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance 2015</u>
Non-depreciable assets:				
Land	\$ 5,599,442	-	(526,679)	5,072,763
Construction-in process	<u>2,702,127</u>	<u>6,451,319</u>	<u>(246,782)</u>	<u>8,906,664</u>
Total non-depreciable assets	<u>8,301,569</u>	<u>6,451,319</u>	<u>(773,461)</u>	<u>13,979,427</u>
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	<u>487,217</u>	<u>31,772</u>	<u>-</u>	<u>518,989</u>
Total depreciable assets	<u>40,741,810</u>	<u>687,323</u>	<u>(45,558)</u>	<u>41,383,575</u>
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	<u>(453,237)</u>	<u>(12,130)</u>	<u>-</u>	<u>(465,367)</u>
Total accumulated depreciation	<u>(23,743,854)</u>	<u>(1,139,110)</u>	<u>45,558</u>	<u>(24,837,406)</u>
Total depreciable assets, net	<u>16,997,956</u>	<u>(451,787)</u>	<u>-</u>	<u>16,546,169</u>
Total capital assets, net	<u>\$ 25,299,525</u>	<u>5,999,532</u>	<u>(773,461)</u>	<u>30,525,596</u>

In fiscal year 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, and office equipment \$31,772.

In fiscal year 2015, depreciation expense was charged to the District's water and sewer fund amounting to \$1,097,337 and \$41,773, respectively.

**Construction-In-Process**

Construction in process during fiscal year 2015 consisted of Intertie Projects \$3,688,546, Olympia Mutual Project \$1,618,584, Proposition 50 Project \$780,492 and various miscellaneous projects \$363,697, totaling \$6,451,319. The balance of construction-in-process was \$8,906,664 at June 30, 2015.

**San Lorenzo Valley Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2016 and 2015**

**(7) Compensated Absences**

Compensated absences comprise of unpaid time off which is accrued as earned. The District's liability for compensated absences is determined annually. Compensated absences turn-over each year, therefore the compensated absence balance of the District is recorded as a liability on the Statement of Net Position, and will be liquidated through the water fund.

Changes in compensated absences for the year ended June 30, 2016, are as follows:

<b>Balance 2015</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 2016</b>	<b>Due within One Year</b>	<b>Due in more than one year</b>
\$ 475,631	161,937	(180,409)	457,159	164,577	292,582

Changes in compensated absences for the year ended June 30, 2015, are as follows:

<b>Balance 2014</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 2015</b>	<b>Current Portion</b>	<b>Due in more than one year</b>
\$ 400,823	138,787	(63,979)	475,631	171,227	304,404

**(8) 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:

	<b>Per Month</b>
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:

	<b>2016</b>	<b>2015</b>	<b>2014</b>
Active plan members	23	26	24
Retirees and beneficiaries receiving benefits	5	3	2
Separated plan members entitled to but not yet receiving benefits	-	-	-
Total plan membership	28	29	26

**San Lorenzo Valley Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2016 and 2015**

**(8) Other Post-Employment Benefits Payable, continued**

***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.

***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 years ended June 30, 2016 and 2015, the District's ARC costs are \$41,738 and \$34,446, respectively. The District's net OPEB payable obligation amounted to \$238,911 and \$214,707 for the years ended June 30, 2016 and 2015, respectively. The District contributed \$13,705 and \$11,741 in age adjusted contributions for current retiree OPEB premiums for the years ended June 30, 2016 and 2015, respectively.

The balance at June 30, consists of the following:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual OPEB expense:			
Annual required contribution (ARC)	\$ 41,738	34,446	34,446
Interest on net OPEB obligation	8,588	7,820	6,527
Adjustment to annual required contribution	<u>(12,417)</u>	<u>(11,306)</u>	<u>-</u>
Total annual OPEB expense	37,909	30,960	40,973
Change in net OPEB payable obligation:			
Age adjusted contributions made	<u>(13,705)</u>	<u>(11,741)</u>	<u>(8,656)</u>
Total change in net OPEB payable obligation	24,204	19,219	32,317
OPEB payable – beginning of period	<u>214,707</u>	<u>195,488</u>	<u>163,171</u>
OPEB payable – end of period	<u>\$ 238,911</u>	<u>214,707</u>	<u>195,488</u>

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:

<b><i>Three-Year History of Net OPEB Obligation</i></b>					
<b>Fiscal Year Ended</b>		<b>Annual OPEB Cost</b>	<b>Age Adjusted Contribution</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation Payable</b>
2016	\$	37,909	13,705	36.15%	\$ 238,911
2015		30,960	11,741	37.92%	214,707
2014		40,973	8,656	21.13%	195,488

**San Lorenzo Valley Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2016 and 2015**

**(8) Other Post-Employment Benefits Payable, continued**

***Funded Status and Funding Progress of the Plan***

The most recent valuation (dated July 1, 2015) includes an Actuarial Accrued Liability of \$400,654 and an Unfunded Actuarial Accrued Liability of \$400,654. The covered payroll (annual payroll of active employees covered by the plan) was \$2,495,551. The ratio of the unfunded actuarial accrued liability to annual covered payroll is 16.05%. See the Schedule of Funding Status of the District's Other Post-Employment Benefits Obligation in the Required Supplementary Information Section on Page 55.

***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, 2015
Actuarial cost method	Projected unit credit cost method
Average remaining amortization period	25 years as of the valuation date
Actuarial assumptions:	
Discount rate	4.0%
Ultimate trend rate	5.0%
Medical trend	8.0% at 2015 with 1.0% decrease per year until 5.0% at 2018
Dental; vision, and other trend	4.0%

**(9) Long-Term Debt**

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

	<b>Balance 2015</b>	<b>Transfer/ Additions</b>	<b>Transfer/ Payments</b>	<b>Balance 2016</b>
Loans payable:				
Felton Safe Drinking Water Loan	\$ 1,935,546	-	(140,780)	1,794,766
State of California Revolving Fund Loan	1,618,584	3,643	-	1,622,227
Total loans payable	3,554,130	3,643	(140,780)	3,416,993
Bonds payable				
Bank of Nevada Refunding Bonds	3,743,682	-	(616,350)	3,127,332
Water Bond of 1964 - Third Division	-	89,000	-	89,000
Water Bond of 1964 - Second Division	-	8,000	-	8,000
Water Bond of 1964 - Fourth Division	-	29,000	-	29,000
Total bonds payable	3,743,682	126,000	(616,350)	3,253,332
Total long-term debt payable	7,297,812	129,643	(757,130)	6,670,325
Less: current portion	(757,130)			(873,254)
Long-term portion	\$ 6,540,682			5,797,071

**San Lorenzo Valley Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2016 and 2015**

**(9) Long-Term Debt, continued**

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

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

***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 1<sup>st</sup> and January 1<sup>st</sup> each year.

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	158,863	27,935	186,798
2022-2026	853,970	80,020	933,990
2027	<u>183,448</u>	<u>3,342</u>	<u>186,790</u>
Total	1,794,766	<u>260,004</u>	<u>2,054,770</u>
Less: current	<u>(144,327)</u>		
Long-term \$	<u>1,650,439</u>		

**San Lorenzo Valley Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2016 and 2015**

**(9) Long-Term Debt, continued**

***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") at a rate of 2.6%. The District makes semi-annual payments of \$52,122, including principal and interest on July 1<sup>st</sup> and January 1<sup>st</sup>. Final maturity is January 1, 2037.

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 31,448	41,691	73,139
2018	63,768	40,476	104,244
2019	65,417	38,827	104,244
2020	67,109	37,135	104,244
2021	68,845	35,399	104,244
2022-2026	371,874	149,344	521,218
2027-2031	422,520	98,698	521,218
2032-2036	480,064	41,155	521,219
2037	51,182	658	51,839
Total	1,622,227	483,383	2,105,609
Less: current	(31,448)		
Long-term \$	<u>1,590,779</u>		

***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 1<sup>st</sup> and March 1<sup>st</sup>. Final maturity is September 1, 2022.

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	494,532	12,354	506,886
2022	103,245	1,345	104,590
Total	3,127,332	221,572	3,348,904
Less: current	(632,479)		
Long-term \$	<u>2,494,853</u>		

***General Obligation Bonds***

Pursuant to an election held on June 9, 1964, Lompico was authorized to issue general obligation bonds in aggregate amount of \$1,500,000. The bonds were issued in four divisions as needed for construction purposes with the final issuance in May 1978. The bonds were issued in fully registered form in the name of the United States of America, Farmers Home Administration. The District acquired these general obligation bonds as of June 1, 2016.

**San Lorenzo Valley Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2016 and 2015**

**(9) Long-Term Debt, continued**

***General Obligation Bonds, continued***

The bonds mature in installments of various amounts according to the following schedule:

Water Bond of 1964 - Third Division	February 15 and August 15
Water Bond of 1964 - Second Division	April 15 and October 15
Water Bond of 1964 - Fourth Division	May 15 and November 1

***Water Bond of 1964 – Third Division***

Future annual debt service requirements are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 43,000	3,378	46,378
2018	46,000	1,141	47,141
Total	89,000	4,519	93,519
Less: current portion	(43,000)		
Long-term portion	\$ 46,000		

***Water Bond of 1964 – Second Division***

Future annual debt service requirements are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 8,000	201	8,201
Total	8,000	201	8,201
Less: current portion	(8,000)		
Long-term portion	\$ -		

***Water Bond of 1964 – Fourth Division***

Future annual debt service requirements are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 14,000	1,450	15,450
2018	15,000	750	15,750
Total	29,000	2,200	31,200
Less: current portion	(14,000)		
Long-term portion	\$ 15,000		

**San Lorenzo Valley Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2016 and 2015**

**(10) Defined Benefit Pension Plan**

***Plan Descriptions***

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.

***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 2.0% at 60 Risk Pool Retirement Plan to new employee entrants effective December 31, 2012. All employees hired after January 1, 2013, are eligible for the District's CalPERS 2.0% at 62 Retirement Plan under PEPRA.

The District participates in the Plan's miscellaneous risk pool. The provisions and benefits for the Plan's miscellaneous pool in effect at June 30, 2016, are summarized as follows:

	<b>Miscellaneous Pool</b>	
	<b>Classic</b>	<b>PEPRA</b>
Hire date	Prior to January 1,	On or after January 1,
Benefit formula	2.5% @ 55	2.0% @ 62
Benefit vesting schedule	5 years of service	
Benefit payments	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	11.03%	6.25%



**San Lorenzo Valley Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2016 and 2015**

**(10) Defined Benefit Pension Plan, continued**

***Benefits Provided, continued***

The District acquired Lompico's miscellaneous risk pool as of June 1, 2016. The provisions and benefits for the Plan's miscellaneous pool in effect at June 1, 2016, are summarized as follows:

	<b>Miscellaneous Pool</b>	
	<b>Classic</b>	<b>PEPRA</b>
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years of service	
Benefit payments	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	8.377%	6.555%

***Contributions***

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers will be determined on an annual basis by the actuary and shall be effective on July 1, following notice of a change in the rate. Funding contributions for the Plan are 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.

For the year ended June 30, 2016 and 2015, the contributions recognized as part of pension expense for the Plan was as follows:

	<b>2016</b>	<b>2015</b>
Contributions – employer	\$ 232,831	311,926

***Net Pension Liability***

As of June 30, 2016 and 2015, the contributions recognized as part of pension expense for the Plan was as follows:

	<b>2016</b>	<b>2015</b>
Proportionate share of net pension liability \$	2,522,518	2,307,630

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability for the miscellaneous risk pool. As of June 30, 2016, the net pension liability of the Plan is measured as of June 30, 2015 (the measurement dates). The total pension liability for the Plan's miscellaneous risk pool used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 (the valuation dates), rolled forward to June 30, 2015, using standard update procedures.

**San Lorenzo Valley Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2016 and 2015**

**(10) Defined Benefit Pension Plan, continued**

***Net Pension Liability, continued***

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 change in proportionate share of the net pension liability for the Plan's miscellaneous risk pool as of the measurement dates June 30, 2015, was as follows:

	<u><b>Miscellaneous</b></u>
Proportion – June 30, 2013	0.04233%
Decrease in proportion	<u>-0.00525%</u>
Proportion – June 30, 2014	0.03708%
Decrease in proportion	<u>0.00124%</u>
Proportion – June 30, 2015	<u><u>0.03832%</u></u>

***Deferred Outflows/Inflows of Resources Related to Pensions***

For the years ended June 30, 2016 and 2015, the District recognized pension (credit) expense of \$(154,732) and \$220,195.

As June 30, 2016 and 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u><b>Description</b></u>	<u><b>2016</b></u>		<u><b>2015</b></u>	
	<u><b>Deferred Outflows of Resources</b></u>	<u><b>Deferred Inflows of Resources</b></u>	<u><b>Deferred Outflows of Resources</b></u>	<u><b>Deferred Inflows of Resources</b></u>
Pension contributions subsequent to measurement date	\$ 172,110	-	223,328	-
Differences between actual and expected experience	15,077	-	-	-
Differences in actual contribution and proportionate share of contribution	191,508		-	-
Changes in assumptions	-	(142,642)	-	-
Net differences between projected and actual earnings on plan investments	-	(71,508)	-	(775,337)
Adjustment due to differences in proportions of net pension liability	<u>-</u>	<u>(287,527)</u>	<u>15,501</u>	<u>-</u>
Total	<u>\$ 378,695</u>	<u>(501,677)</u>	<u>238,829</u>	<u>(775,337)</u>

As of June 30, 2016 and 2015, the District reported \$172,110 and \$223,328 as deferred outflows of resources related to contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability for the years ended June 30, 2017 and 2016, respectively.

**San Lorenzo Valley Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2016 and 2015**

**(10) Defined Benefit Pension Plan, continued**

***Deferred Outflows/Inflows of Resources Related to Pensions, continued***

As of June 30, 2016, other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<b>Fiscal Year Ending June 30:</b>	<b>Deferred Outflows/ (Inflows) of Resources</b>
2017	\$ (145,605)
2018	(147,148)
2019	(136,353)
2020	134,014

***Actuarial Assumptions***

The total pension liabilities in the June 30, 2014, actuarial valuations were determined using the following actuarial assumptions and methods:

Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
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
Retirement	The probabilities of retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2014, valuation were based upon the most recent CalPERS Experience Study (covering the period June 30, 1997 through June 30, 2011) that was completed and adopted in April 2014. Further details of the Experience Study can 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.

**San Lorenzo Valley Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2016 and 2015**

**(10) Defined Benefit Pension Plan, continued**

***Discount Rate, continued***

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 that 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. For the year ended June 30, 2016, the 7.65% investment return assumption is used to exclude administrative expenses assumed to be 15 basis points.

The long-term expected rate of return on pension plan investments was determined 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.

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 calculated 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 expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and 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. These rates of return are net of administrative expenses.

As of June 30, 2016, the target allocation and the long-term expected real rate of return by asset class were as follows:

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1-10*</u>	<u>Real Return Year 11+**</u>
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0	0.99	2.43
Inflation Sensitive	6.0	0.45	3.36
Private Equity	12.0	6.83	6.95
Real Estate	11.0	4.50	5.13
Infrastructure and Forestland	3.0	4.50	5.09
Liquidity	2.0	(0.55)	(1.05)
Total	<u>100.0%</u>		

\* 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 the Net Pension Liability to Changes in the Discount Rate***

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

**San Lorenzo Valley Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2016 and 2015**

**(10) Defined Benefit Pension Plan, continued**

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

As of June 30, 2016, the District's net pension liability at the current discount rate, using a discount rate that is one-percentage point lower, and using a discount rate that is one-percentage point higher, are as follows:

	<b>Discount Rate - 1% 6.65%</b>	<b>Current Discount Rate 7.65%</b>	<b>Discount Rate + 1% 8.65%</b>
District's Net Pension Liability	\$ 4,230,439	2,522,518	1,112,431

As of June 30, 2015, the District's net pension liability at the current discount rate, using a discount rate that is one-percentage point lower, and using a discount rate that is one-percentage point higher, are as follows:

	<b>Discount Rate - 1% 6.50%</b>	<b>Current Discount Rate 7.50%</b>	<b>Discount Rate + 1% 8.50%</b>
District's Net Pension Liability	\$ 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 56 through 57 for the Required Supplementary Schedules.

**San Lorenzo Valley Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2016 and 2015**

**(11) Transfer of Operations**

Under the Local Agency Formation Commission (LAFCO) Resolution No. 953-A, the Lompico County Water District (Lompico) was dissolved and annexed by the District. On June 1, 2016, Lompico transferred its assets, deferred outflows, liabilities, and deferred inflows to the District and the District's service area has been expanded to include Lompico's service area.

The District recognized the following assets, deferred outflows, liabilities, deferred inflows, and net position:

		<u><b>Carrying Values</b></u>
<b>Transferred Assets (Net)</b>		
Cash & cash equivalents	\$ 284,207	
Accounts receivable	39,436	
Materials and supplies inventory	<u>2,295</u>	
Total current assets		\$ 325,938
Capital assets - not being depreciated	34,820	
Capital assets - being depreciated	<u>966,641</u>	
Total capital assets		<u>1,001,461</u>
<b>Total assets</b>		<u><b>1,327,399</b></u>
<b>Transferred Deferred Outflows of Resources</b>		
Deferred pension outflows		<u>17,754</u>
<b>Transferred Liabilities (Net)</b>		
Accounts payable and accrued expense	60,125	
Unearned revenues - customer deposits	18,250	
Accrued interest payable	1,834	
Bonds payable	<u>65,000</u>	
Total current liabilities		145,209
Net pension liability	107,880	
Bonds payable	<u>61,000</u>	
Total non-current liabilities		<u>168,880</u>
<b>Total liabilities</b>		<u><b>314,089</b></u>
<b>Transferred Deferred Inflows of Resources</b>		
Deferred pension inflows		<u>21,872</u>
<b>Net Position of Transferred District Operation</b>		
Net investment in capital assets	\$ 875,461	
Restricted for debt service	55,681	
Unrestricted	<u>78,050</u>	
<b>Total net position</b>		<u><b>\$ 1,009,192</b></u>

**San Lorenzo Valley Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2016 and 2015**

**(12) Net Position**

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

	<u>2016</u>	<u>2015</u>
Net investment in capital assets:		
Capital assets, net	\$ 35,206,226	30,525,596
Loans payable – current	(175,775)	(140,780)
Loans payable – non-current	(3,241,218)	(3,413,350)
Bonds payable – current	(697,479)	(616,350)
Bonds payable – non-current	<u>(2,555,853)</u>	<u>(3,127,332)</u>
Total net investment in capital assets	28,535,901	23,227,784
Restricted net position:		
Restricted for debt service	<u>403,624</u>	<u>229,790</u>
Total restricted net position	<u>403,624</u>	<u>229,790</u>
Unrestricted net position:		
Non-spendable net position		
Materials and supplies inventory	<u>225,327</u>	<u>224,415</u>
Total non-spendable net position	<u>225,327</u>	<u>224,415</u>
Spendable net position are designated as follows:		
Unrestricted (deficit)	<u>(950,335)</u>	<u>1,896,177</u>
Total unrestricted net position (deficit)	<u>\$ (725,008)</u>	<u>2,120,592</u>

**(13) 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.

**San Lorenzo Valley Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2016 and 2015**

**(13) Risk Management, continued**

- 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.

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

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

***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.



**San Lorenzo Valley Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2016 and 2015**

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

***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.

***Governmental Accounting Standards Board Statement No. 78***

In December 2015, the GASB issued Statement No. 78 – *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that meet certain criteria. 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.

***Governmental Accounting Standards Board Statement No. 80***

In January 2016, the GASB issued Statement No. 80 – *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14*. The objective of this statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. It is believed that the implementation of this Statement will not have a material effect to the District’s financial statements.

***Governmental Accounting Standards Board Statement No. 81***

In March 2016, the GASB issued Statement No. 81 – *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively.

**San Lorenzo Valley Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2016 and 2015**

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

***Governmental Accounting Standards Board Statement No. 82***

In March 2016, the GASB issued Statement No. 82 – *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*. This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2016, that has effective dates that may impact future financial presentations.

**(15) 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.

**(16) Subsequent Event**

Events occurring after June 30, 2016 have been evaluated for possible adjustment to the financial statements or disclosure as of January 17, 2017, which is the date the financial statements were available to be issued.

## **Required Supplementary Information**



**San Lorenzo Valley Water District**  
**Schedules of Funding Status – Other Post-Employment Benefits**  
**For the Fiscal Years Ended June 30, 2016 and 2015**

**Other Post-Employment Benefits Payable**

*Required Supplemental Information – Schedule of Funding Progress*

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Plan Assets (a)</b>	<b>Actuarial Accrued Liability (b)</b>	<b>Unfunded Actuarial Accrued Liability (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll ( c )</b>	<b>UAAL as a Percentage of Covered Payroll ((b-a)/c)</b>
7/1/2015	\$ -	400,654	400,654	0.00%	\$ 2,495,551	16.05%
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 2019 based on the year ending June 30, 2018.

**San Lorenzo Valley Water District**  
**Schedules of the District's Proportionate Share of the Net Pension Liability**  
**As of June 30, 2016**  
**Last Ten Years\***

**Defined Benefit Pension Plan**

<u>Description</u>	<u>Measurement Dates</u>	
	<u>6/30/15</u>	<u>6/30/14</u>
District's Proportion of the Net Pension Liability	<u>0.03832%</u>	<u>0.03708%</u>
District's Proportionate Share of the Net Pension Liability	\$ <u>2,522,518</u>	<u>2,307,630</u>
District's Covered-Employee Payroll	\$ <u>2,319,224</u>	<u>1,995,605</u>
District's Proportionate Share of the Net Pension Liability as a percentage of its Covered-Employee Payroll	<u>108.77%</u>	<u>115.64%</u>
Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>83.20%</u>	<u>83.03%</u>

**Notes to the Schedule of the District's Proportionate Share of Net Pension Liability**

***Changes in Benefit Terms*** – The figures above do not include any liability impact that may have resulted from Plan changes which occurred after the June 30, 2014, valuation date.

***Changes of Assumptions*** – For the June 30, 2015, measurement date, the discount rate was changed from 7.50% (net of administrative expense) to 7.65% percent to correct for an adjustment to exclude administrative expense.

\* The District has presented information for those years for which information is available until a full 10-year trend is compiled.

**San Lorenzo Valley Water District**  
**Schedules of Pension Plan Contributions**  
**As of June 30, 2016**  
**Last Ten Years\***

**Defined Benefit Pension Plan**

<u>Description</u>	<u>Measurement Dates</u>	
	<u>6/30/15</u>	<u>6/30/14</u>
Actuarially Determined Contribution	\$ 284,005	193,763
Contributions in Relation to the Actuarially Determined Contribution	<u>(229,333)</u>	<u>(200,451)</u>
Contribution Deficiency (Excess)	\$ <u>54,672</u>	<u>(6,688)</u>
District's Covered Payroll	\$ <u>2,319,224</u>	<u>1,995,605</u>
Contribution's as a percentage of Covered-Employee Payroll	<u>12.25%</u>	<u>9.71%</u>

**Notes to the Schedule of Pension Plan Contributions**

The actuarial methods and assumptions used to set the actuarially determined contributions from July 30, 2014 through June 30, 2015 (the measurement period), were derived from the June 30, 2014, funding valuation report.

There were no changes in methods or assumptions used to determine the legally required contributions, which are actuarially determined, from the June 30, 2011 to the June 30, 2012, funding valuation report.

\* The District has presented information for those years for which information is available until a full 10-year trend is compiled.

**< Page Intentionally Left Blank >**



## **Supplemental Information**



**San Lorenzo Valley Water District**  
**Combining Schedule of Net Position**  
**June 30, 2016**

	<u><b>Water Fund</b></u>	<u><b>Sewer Fund</b></u>	<u><b>Total</b></u>
<b>Current assets:</b>			
Cash & cash equivalents	\$ 1,676,923	-	1,676,923
Cash & cash equivalents – restricted	403,624	-	403,624
Accrued interest receivable	155	-	155
Investments	930,412	-	930,412
Accounts receivable – water sales and services, net	993,952	-	993,952
Accounts receivable – property taxes	1,296	-	1,296
Accounts receivable – settlement agreement	36,392	-	36,392
Accounts receivable – grant funding	31,530	-	31,530
Accounts receivable – other	29,986	-	29,986
Internal balances	52,791	(52,791)	-
Prepaid expenses	41,526	-	41,526
Materials and supplies inventory	225,327	-	225,327
<b>Total current assets</b>	<u>4,423,914</u>	<u>(52,791)</u>	<u>4,371,123</u>
<b>Non-current assets:</b>			
Capital assets – not being depreciated	14,925,498	46,956	14,972,454
Capital assets – being depreciated	19,774,685	459,087	20,233,772
<b>Total non-current assets</b>	<u>34,700,183</u>	<u>506,043</u>	<u>35,206,226</u>
<b>Deferred outflows of resources</b>			
Deferred pension outflows	378,695	-	378,695
<b>Total deferred outflows of resources</b>	<u>\$ 378,695</u>	<u>-</u>	<u>378,695</u>

Continued on next page

**San Lorenzo Valley Water District**  
**Combining Schedule of Net Position, continued**  
**June 30, 2016**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<b>Current liabilities:</b>			
Accounts payable and accrued expense	\$ 933,929	7,446	941,375
Accrued wages and related payables	175,956	-	175,956
Unearned revenues – customer deposits	83,306	-	83,306
Unearned revenues – construction deposits	121,360	-	121,360
Accrued interest payable	28,940	-	28,940
Long-term liabilities – due in one year:			
Compensated absences	164,577	-	164,577
Loans payable – current	175,775	-	175,775
Bonds payable – current	697,479	-	697,479
<b>Total current liabilities</b>	<u>2,381,322</u>	<u>7,446</u>	<u>2,388,768</u>
<b>Non-current liabilities:</b>			
Long-term liabilities – due in more than one year:			
Compensated absences	292,582	-	292,582
Other post-employment benefits payable	238,911	-	238,911
Net pension liability	2,522,518	-	2,522,518
Loans payable – non-current	3,241,218	-	3,241,218
Bonds payable – non-current	2,555,853	-	2,555,853
<b>Total non-current liabilities</b>	<u>8,851,082</u>	<u>-</u>	<u>8,851,082</u>
<b>Deferred inflows of resources</b>			
Deferred pension inflows	501,677	-	501,677
<b>Total deferred inflows of resources</b>	<u>501,677</u>	<u>-</u>	<u>501,677</u>
<b>Net position</b>			
Net investment in capital assets	28,029,858	506,043	28,535,901
Restricted for debt service	403,624	-	403,624
Unrestricted (deficit)	(664,771)	(60,237)	(725,008)
<b>Total net position</b>	<u>\$ 27,768,711</u>	<u>445,806</u>	<u>28,214,517</u>

**San Lorenzo Valley Water District**  
**Combining Schedule of Revenues, Expenses and Changes in Net Position**  
**For the Year Ended June 30, 2016**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<b>Operating revenues:</b>			
Water consumption sales	\$ 6,145,076	-	6,145,076
Wastewater service	-	98,262	98,262
Meter sales, charges and penalties	194,444	-	194,444
Other charges and services	<u>18,399</u>	<u>-</u>	<u>18,399</u>
Total operating revenues	<u>6,357,919</u>	<u>98,262</u>	<u>6,456,181</u>
<b>Operating expenses:</b>			
Salaries and benefits	3,304,540	-	3,304,540
Professional services	834,427	33,791	868,218
Operational	398,057	12,285	410,342
Maintenance	183,215	-	183,215
Facilities	426,528	15,486	442,014
General and administrative	<u>352,510</u>	<u>-</u>	<u>352,510</u>
Total operating expenses	<u>5,499,277</u>	<u>61,562</u>	<u>5,560,839</u>
Operating income before overhead absorption	858,642	36,700	895,342
Overhead absorption	<u>42,624</u>	<u>(22,987)</u>	<u>19,637</u>
Operating income before depreciation expense	901,266	13,713	914,979
Depreciation expense	<u>(1,286,606)</u>	<u>(39,450)</u>	<u>(1,326,056)</u>
<b>Operating loss</b>	<u>(385,340)</u>	<u>(25,737)</u>	<u>(411,077)</u>

Continued on next page

**San Lorenzo Valley Water District**  
**Combining Schedule of Revenues, Expenses and Changes in Net Position, continued**  
**For the Year Ended June 30, 2016**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<b>Non-operating revenues (expenses):</b>			
Property tax/assessment revenues	\$ 610,634	-	610,634
Investment earnings	11,502	-	11,502
Rental revenues	43,922	-	43,922
Interest expenses	<u>(185,411)</u>	<u>-</u>	<u>(185,411)</u>
Total non-operating revenues, net	<u>480,647</u>	<u>-</u>	<u>480,647</u>
Net income (loss) before capital contributions	<u>95,307</u>	<u>(25,737)</u>	<u>69,570</u>
<b>Capital contributions:</b>			
Capital grants - other governments	<u>1,557,589</u>	<u>-</u>	<u>1,557,589</u>
Total capital contributions	<u>1,557,589</u>	<u>-</u>	<u>1,557,589</u>
<b>Change in net position</b>	1,652,896	(25,737)	1,627,159
Transfer in due to merger	1,009,192	-	1,009,192
<b>Net position – beginning of year</b>	<u>25,106,623</u>	<u>471,543</u>	<u>25,578,166</u>
<b>Net position – end of year</b>	<u>\$ 27,768,711</u>	<u>445,806</u>	<u>28,214,517</u>

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

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<b>Current assets:</b>			
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	518,262	-	518,262
Accounts receivable – property taxes	2,684	-	2,684
Accounts receivable – settlement agreement	36,392	-	36,392
Accounts receivable – grant funding	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
	<u>7,363,684</u>	<u>(55,207)</u>	<u>7,308,477</u>
Total current assets			
<b>Non-current assets:</b>			
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
	<u>30,101,098</u>	<u>526,750</u>	<u>30,627,848</u>
Total non-current assets			
<b>Deferred outflows of resources</b>			
Deferred pension outflows	238,829	-	238,829
	<u>238,829</u>	<u>-</u>	<u>238,829</u>
<b>Total deferred outflows of resources</b>	<u>\$ 238,829</u>	<u>-</u>	<u>238,829</u>

Continued on next page

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

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<b>Current liabilities:</b>			
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 – current	140,780	-	140,780
Bonds payable – current	616,350	-	616,350
Total current liabilities	<u>2,454,228</u>	<u>-</u>	<u>2,454,228</u>
<b>Non-current liabilities:</b>			
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 – non-current	3,413,350	-	3,413,350
Bonds payable – non-current	3,127,332	-	3,127,332
Total non-current liabilities	<u>9,367,423</u>	<u>-</u>	<u>9,367,423</u>
<b>Deferred inflows of resources</b>			
Deferred pension inflows	<u>775,337</u>	<u>-</u>	<u>775,337</u>
<b>Total deferred inflows of resources</b>	<u>775,337</u>	<u>-</u>	<u>775,337</u>
<b>Net position</b>			
Net investment in capital assets	22,701,034	526,750	23,227,784
Restricted for debt service	229,790	-	229,790
Unrestricted (deficit)	<u>2,175,799</u>	<u>(55,207)</u>	<u>2,120,592</u>
<b>Total net position</b>	<u>\$ 25,106,623</u>	<u>471,543</u>	<u>25,578,166</u>



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

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<b>Operating revenues:</b>			
Water consumption sales	\$ 5,402,115	-	5,402,115
Wastewater service	-	100,088	100,088
Meter sales, charges and penalties	124,896	-	124,896
Other charges and services	16,372	-	16,372
Total operating revenues	<u>5,543,383</u>	<u>100,088</u>	<u>5,643,471</u>
<b>Operating expenses:</b>			
Salaries and benefits	3,456,751	7,213	3,463,964
Professional services	743,184	21,500	764,684
Operational	293,175	19,202	312,377
Maintenance	143,216	-	143,216
Facilities	487,083	8,608	495,691
General and administrative	368,402	4,000	372,402
Total operating expenses	<u>5,491,811</u>	<u>60,523</u>	<u>5,552,334</u>
Operating income before overhead absorption	51,572	39,565	91,137
Overhead absorption	24,644	-	24,644
Operating income before depreciation expense	76,216	39,565	115,781
Depreciation expense	<u>(1,097,337)</u>	<u>(41,773)</u>	<u>(1,139,110)</u>
<b>Operating loss</b>	<u>\$ (1,021,121)</u>	<u>(2,208)</u>	<u>(1,023,329)</u>

Continued on next page

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

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<b>Non-operating revenues(expenses):</b>			
Property tax/assessment revenues	\$ 762,752	-	762,752
Investment earnings	(1,909)	-	(1,909)
Rental revenues	29,713	-	29,713
Interest expenses	(127,850)	-	(127,850)
Gain on disposition of capital assets	34,499	-	34,499
Settlement and purchase agreements	<u>145,257</u>	<u>-</u>	<u>145,257</u>
Total non-operating revenues, net	<u>842,462</u>	<u>-</u>	<u>842,462</u>
Net loss before capital contributions	<u>(178,659)</u>	<u>(2,208)</u>	<u>(180,867)</u>
<b>Capital contributions:</b>			
Capital grants - other governments	<u>2,287,233</u>	<u>-</u>	<u>2,287,233</u>
Total capital contributions	<u>2,287,233</u>	<u>-</u>	<u>2,287,233</u>
<b>Change in net position</b>	2,108,574	(2,208)	2,106,366
<b>Net position – beginning of year</b>	<u>22,998,049</u>	<u>473,751</u>	<u>23,471,800</u>
<b>Net position – end of year</b>	<u><u>\$ 25,106,623</u></u>	<u><u>471,543</u></u>	<u><u>25,578,166</u></u>

## **Statistical Information Section**

## **San Lorenzo Valley Water District Statistical Section**

This part of the District's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements and note disclosures says about the District's overall financial health.

### **Table of Contents**

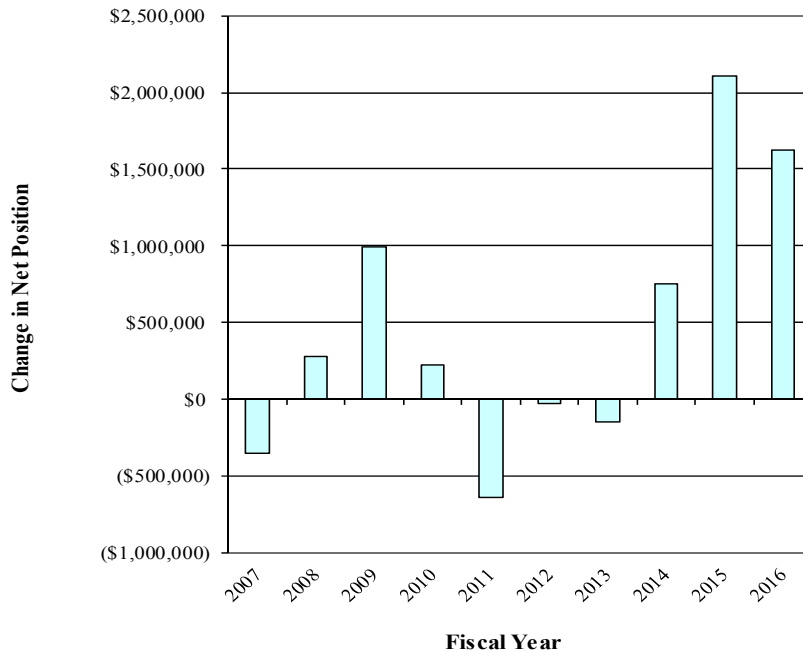
	<b><u>Page No.</u></b>
Financial Trends	67-70
These schedules contain information to help the reader understand how the District's financial performance and well-being have changed over time.	
Revenue Capacity	71-74
These schedules contain information to help the reader assess the District's most significant own-source revenue, water sales.	
Debt Capacity	75-76
These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	
Demographic Information	77
This schedule offers demographic indicators to help the reader understand the environment within which the District's financial activities take place.	
Operating Information	78-79
This schedule contains service and infrastructure data to help the reader understand how the information in the District's financial report relates to the service the District provides.	

# San Lorenzo Valley Water District

## Changes in Net Position

### Last Ten Fiscal Years

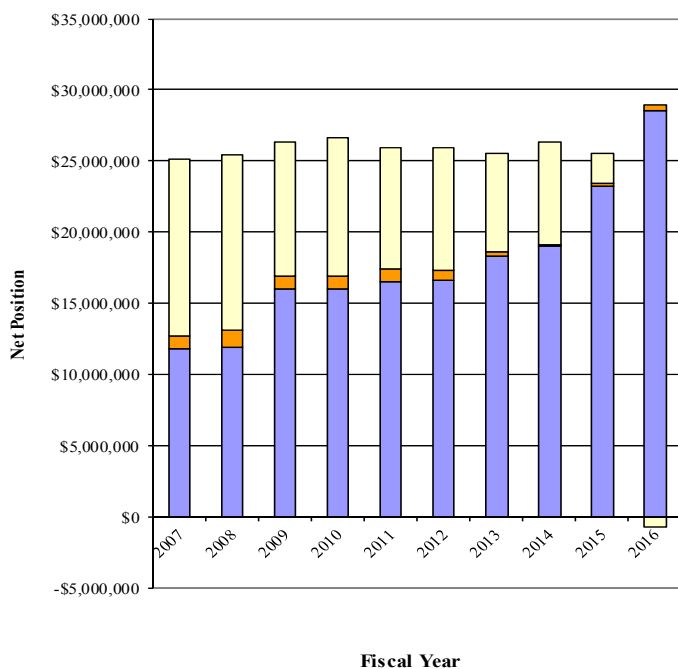
	Fiscal Year				
	2007	2008	2009	2010	2011
Changes in net position:					
Operating revenues (see Schedule 2)	\$ 3,320,847	3,459,598	4,004,362	4,481,317	4,819,542
Operating expenses (see Schedule 3)	(3,959,644)	(4,456,030)	(4,234,583)	(4,275,569)	(4,245,987)
Overhead absorption					
Depreciation and amortization	(1,045,232)	(947,839)	(1,245,221)	(1,379,615)	(1,334,021)
<b>Operating income(loss)</b>	<b>(1,684,029)</b>	<b>(1,944,271)</b>	<b>(1,475,442)</b>	<b>(1,173,867)</b>	<b>(760,466)</b>
Non-operating revenues(expenses)					
Property taxes	474,231	505,233	527,421	504,342	492,443
Rental income	21,502	23,186	25,216	26,038	24,468
Assessment Revenue					
Investment income/(loss)	701,904	708,836	603,405	532,957	217,145
Amortization of deferred charges			(25,252)	(25,252)	(25,252)
Gain/(Loss) on sale/disposition of assets	(599)	(156,812)	(38,877)	-	(236,970)
Interest expense	(362,406)	(406,676)	(455,204)	(349,705)	(357,274)
Grant related expenses					
Other revenue/(expense), net	206,710	1,073,977	-	711,712	8,748
Total non-operating revenues(expenses), net	1,041,342	1,747,744	636,709	1,400,092	123,308
<b>Net income(loss) before capital contributions</b>	<b>(642,687)</b>	<b>(196,527)</b>	<b>(838,733)</b>	<b>226,225</b>	<b>(637,158)</b>
Capital contributions	289,740	477,570	1,833,993		
<b>Changes in net position</b>	<b>\$ (352,947)</b>	<b>281,043</b>	<b>995,260</b>	<b>226,225</b>	<b>(637,158)</b>
Net position by component:					
Invested in capital assets, net of related debt	\$ 11,791,105	11,901,216	15,999,096	15,991,991	16,564,381
Restricted	908,487	1,171,630	940,077	935,665	865,923
Unrestricted	12,413,566	12,321,355	9,450,288	9,688,030	8,548,224
<b>Total net position</b>	<b>\$ 25,113,158</b>	<b>25,394,201</b>	<b>26,389,461</b>	<b>26,615,686</b>	<b>25,978,528</b>



Source: SLVWD Finance Department

# Schedule 1

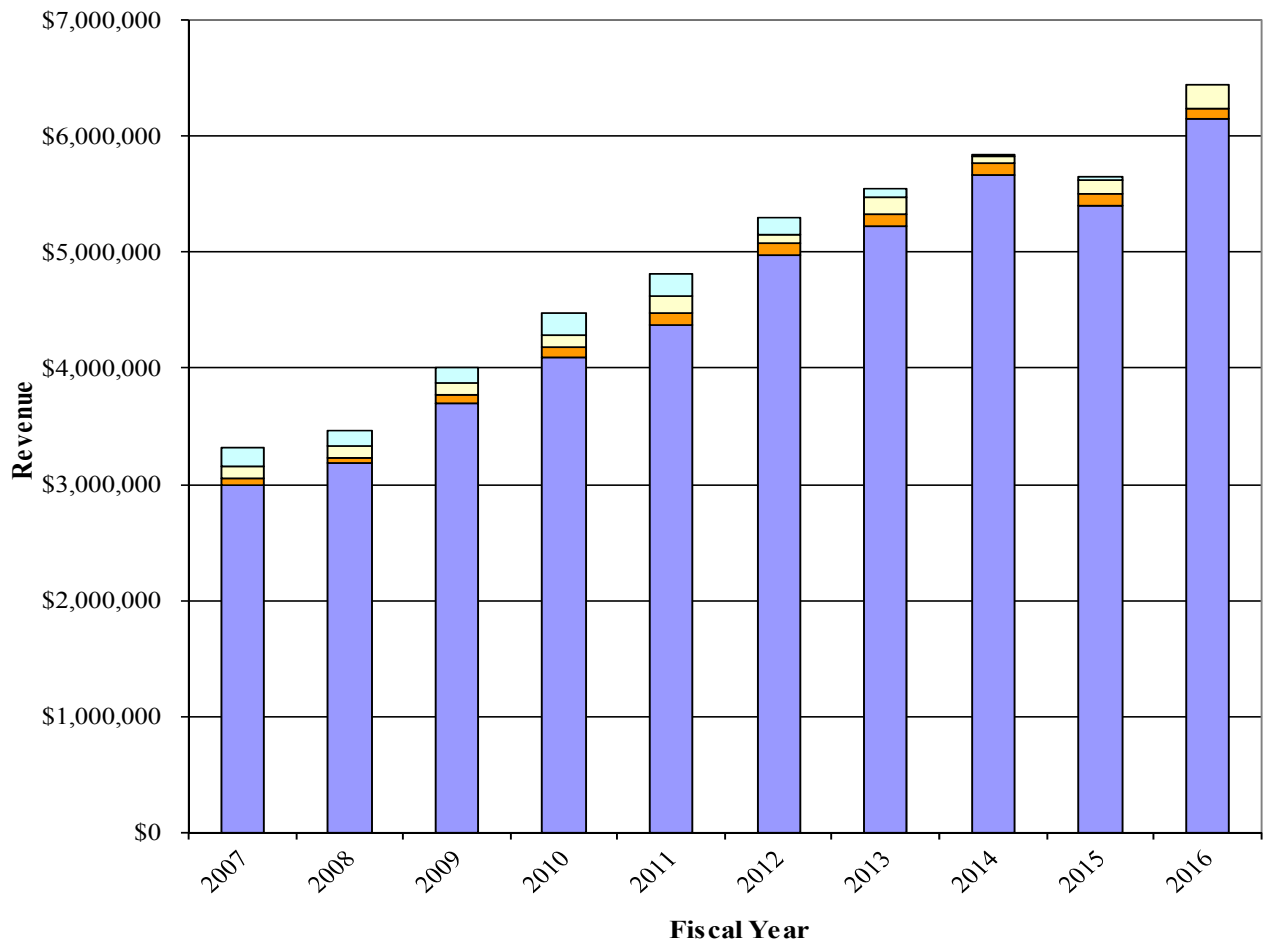
Fiscal Year				
2012	2013	2014	2015	2016
5,292,035	5,544,632	5,838,488	5,643,471	6,456,181
(4,399,636)	(4,736,829)	(5,173,764)	(5,552,334)	(5,560,839)
	48,543	132,347	24,644	19,637
(1,293,195)	(1,293,732)	(1,172,504)	(1,139,110)	(1,326,056)
(400,796)	(437,386)	(375,433)	(1,023,329)	(411,077)
467,181	459,834	478,632	527,308	577,023
23,402	28,461	30,378	29,713	43,922
			235,444	33,611
233,421	(80,321)	159,023	(1,909)	11,502
(35,021)				
-	1,874	2,000	34,499	
(352,109)	(211,233)	(295,513)	(127,850)	(185,411)
31,412	85,369	3,352	145,257	-
368,286	283,984	377,872	842,462	480,647
(32,510)	(153,402)	2,439	(180,867)	69,570
		753,600	2,287,233	1,557,589
(32,510)	(153,402)	756,039	2,106,366	1,627,159
16,665,481	18,309,392	18,981,706	23,227,784	28,535,901
653,538	355,162	168,185	229,790	403,624
8,626,999	6,898,478	7,169,180	2,120,592	(725,008)
25,946,018	25,563,032	26,319,071	25,578,166	28,214,517



**San Lorenzo Valley Water District  
Operating Revenue by Source  
Last Ten Fiscal Years**

**Schedule 2**

<b>Fiscal Year</b>		<b>Water Services</b>	<b>Wastewater Services</b>	<b>Meter Sales, Charges and Penalties</b>	<b>Other Charges and Services</b>	<b>Total Operating Revenue</b>
2007	\$	2,999,615	46,200	107,322	167,710	3,320,847
2008		3,188,266	47,036	89,981	134,315	3,459,598
2009		3,694,064	81,466	92,574	136,258	4,004,362
2010		4,093,942	89,519	98,412	199,444	4,481,317
2011		4,369,713	99,764	149,469	200,596	4,819,542
2012		4,976,987	99,199	76,113	139,736	5,292,035
2013		5,226,845	98,653	155,973	63,161	5,544,632
2014		5,669,459	101,637	54,111	13,281	5,838,488
2015		5,402,115	100,088	124,896	16,372	5,643,471
2016		6,145,076	98,262	194,444	18,399	6,456,181

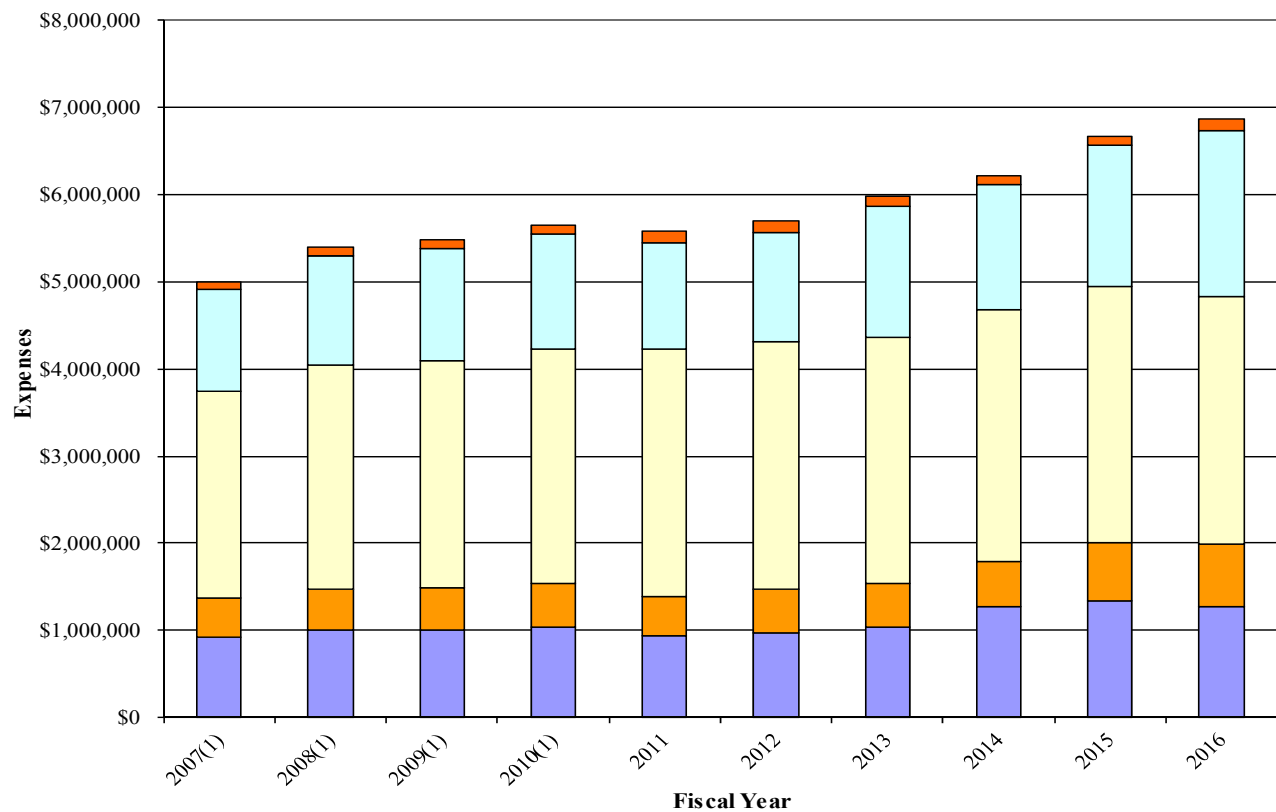


Source: SLVWD Finance Department

**San Lorenzo Valley Water District  
Operating Expenses by Activity  
Last Ten Fiscal Years**

**Schedule 3**

<b>Fiscal Year</b>		<b>General and Administrative</b>	<b>Finance Customer Service</b>	<b>Transmission and Distribution</b>	<b>Water Treatment</b>	<b>Wastewater Fund</b>	<b>Total Operating Expenses</b>
2007 <sup>(1)</sup>	\$	926,005	439,791	2,376,461	1,170,816	91,804	5,004,876
2008 <sup>(1)</sup>		999,827	474,851	2,565,914	1,264,154	99,123	5,403,869
2009 <sup>(1)</sup>		1,013,877	481,524	2,601,970	1,281,918	100,515	5,479,804
2010 <sup>(1)</sup>		1,046,326	496,935	2,685,246	1,322,945	103,732	5,655,184
2011		939,754	458,070	2,833,504	1,222,661	126,019	5,580,008
2012		977,775	500,906	2,837,272	1,258,211	118,667	5,692,831
2013		1,042,651	502,235	2,811,020	1,515,459	110,653	5,982,018
2014		1,281,334	504,981	2,901,718	1,430,749	95,139	6,213,921
2015		1,334,189	681,895	2,925,734	1,622,687	102,296	6,666,800
2016		1,265,028	719,525	2,850,568	1,908,139	123,998	6,867,258



**Note:** (1) Activity break down data not available, a ratio of the next 5 years was applied to the total Operating Expenses.

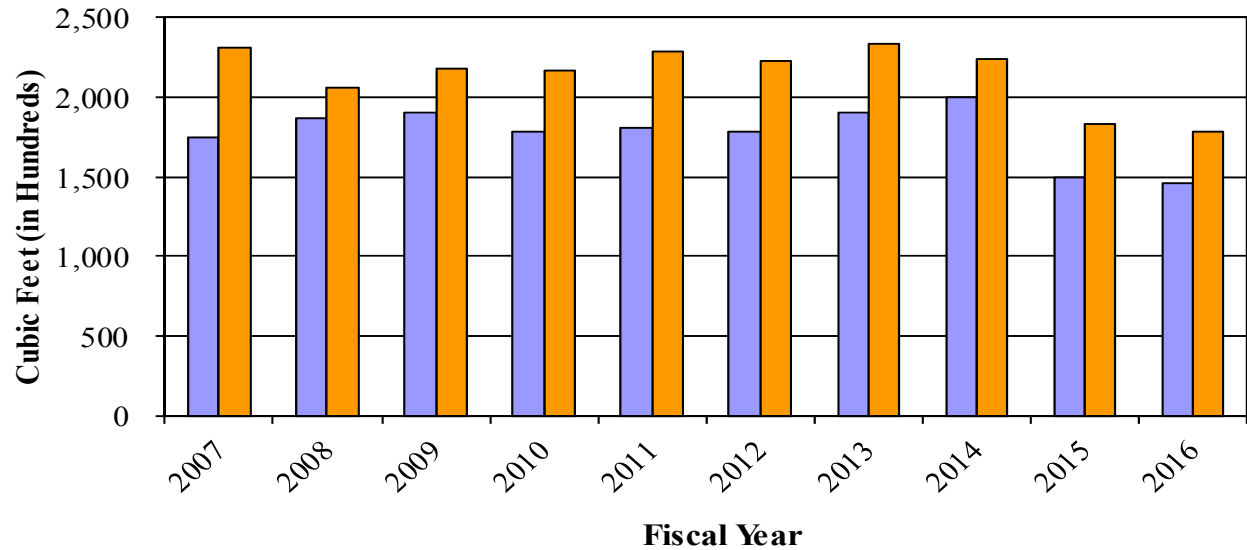
**Source:** SLVWD Finance Department



**San Lorenzo Valley Water District  
Revenue Base  
Last Ten Fiscal Years**

**Schedule 4**

<b>Fiscal Year</b>	<b>Water Sales (Acre Feet)</b>	<b>Water Produced (Acre Feet)</b>
2007	1,743	2,313
2008	1,872	2,055
2009	1,905	2,180
2010	1,781	2,168
2011	1,806	2,283
2012	1,789	2,234
2013	1,910	2,335
2014	1,995	2,239
2015	1,500	1,828
2016	1,461	1,787



**Note:** See Schedule 2 "Operating Revenue by Source" for information regarding water revenues.

**Source:** SLVWD Finance Department

**San Lorenzo Valley Water District**  
**Revenue Rates<sup>(1)</sup>**  
**Last Ten Fiscal Years**

**Schedule 5**

**Water Consumption Rates**

		Fiscal Year									
		2007 <sup>(2)</sup>	2008 <sup>(2)</sup>	2009 <sup>(2)</sup>	2010 <sup>(2)</sup>	2011 <sup>(2)</sup>	2012 <sup>(2)</sup>	2013 <sup>(2)</sup>	2014	2015	2016
Residential - Tier 1 (per HCF)	\$	1.950	1.950	2.180	2.360	2.710	2.710	2.710	3.090	3.430	3.810
Residential - Tier 2 (per HCF)		2.550	2.550	2.860	3.080	3.540	3.540	3.540	4.040	4.480	4.970
Residential - Tier 3 (per HCF)		3.050	3.050	3.420	3.690	4.240	4.240	4.240	4.840	5.370	5.960
Residential - Tier 4 (per HCF)		3.300	3.300	3.700	3.990	4.590	4.590	4.590	5.360	5.950	6.610
Residential - Tier 5 (per HCF)		3.600	3.600	4.030	4.350	5.000	5.000	5.000			
Commercial/Flat (per HCF)		*	*	*	*	*	*	*	3.770	4.180	4.640
Wholesale - Boulder Creek (per HCF)		*	*	*	*	*	*	*	*	10.000	10.000

\* based on residential tiers above

**Readiness-to-serve Fees per Month**

		Fiscal Year									
Meter Size		2007 <sup>(2)</sup>	2008 <sup>(2)</sup>	2009 <sup>(2)</sup>	2010 <sup>(2)</sup>	2011 <sup>(2)</sup>	2012 <sup>(2)</sup>	2013 <sup>(2)</sup>	2014	2015	2016
3/4" or smaller	\$	35.75	35.75	40.04	43.24	49.73	49.73	49.73	55.20	30.64	34.00
1"		59.60	59.60	66.75	72.09	82.90	82.90	82.90	92.02	51.00	56.50
1 1/2"		120.00	120.00	134.40	145.15	166.92	166.92	166.92	185.00	102.50	114.00
2"		191.00	191.00	213.92	231.03	265.68	265.68	265.68	295.00	163.50	181.50
3"		358.45	358.45	401.46	433.58	498.62	498.62	498.62	553.00	307.00	341.00
4"		596.50	596.50	668.08	721.53	829.76	829.76	829.76	921.00	511.00	567.00
6"		n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
8"		n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
10"		n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Fire service per inch diameter		n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

**Notes:**

(1) Rates as of June 30 of each fiscal year.

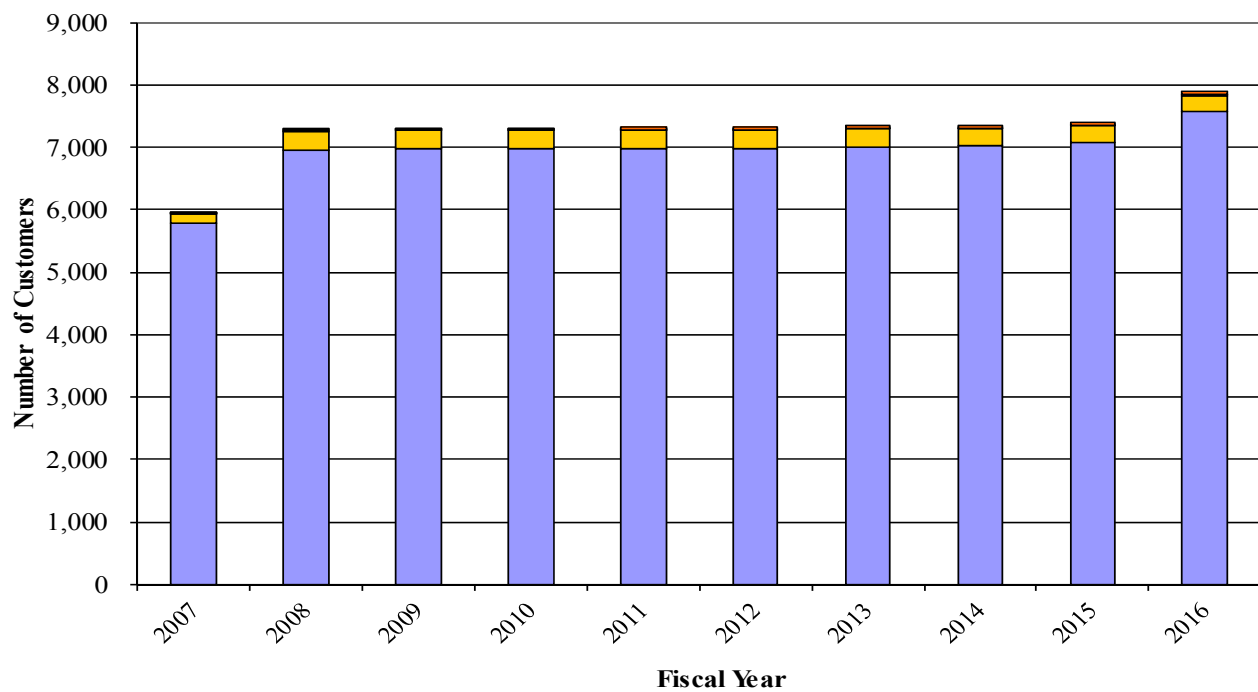
(2) Bi-Monthly Billing Rates

**Source:** (San Lorenzo Valley Water District) Board of Directors approved rate ordinances and resolutions

**San Lorenzo Valley Water District  
Customers by Type  
Last Ten Fiscal Years**

**Schedule 6**

Fiscal Year	Customer Type				Total
	Residential	Industrial	Landscape	Wholesale	
2007	5,789	138	11	20	5,958
2008	6,964	298	11	23	7,296
2009	6,990	278	11	26	7,305
2010	6,968	300	12	29	7,309
2011	6,982	289	12	31	7,314
2012	6,981	289	12	33	7,315
2013	7,010	289	12	37	7,348
2014	7,035	258	12	44	7,349
2015	7,083	258	12	50	7,403
2016	7,566	266	13	42	7,887



**Note:** Number of customers as of June 30 of fiscal year.

Source: SLVWD Finance Department

**San Lorenzo Valley Water District  
Principal Customers  
Current Fiscal Year and Ten Years Ago**

**Schedule 7**

<b>Customer</b>	<b>2016</b>		<b>2012 <sup>(1)</sup></b>	
	<b>Water Consumed (AF)</b>	<b>Percentage of Total</b>	<b>Water Consumed (AF)</b>	<b>Percentage of Total</b>
005165-000	31	2.12%	40	2.29%
005534-000	28	1.92%	19	1.09%
006297-000	22	1.51%	17	0.98%
011506-000	12	0.82%	10	0.57%
005825-000	11	0.75%	-	0.00%
009080-000	10	0.68%	13	0.75%
005279-000	9	0.62%	14	0.80%
013123-000	7	0.48%	-	0.00%
006011-000	6	0.41%	9	0.52%
005001-000	6	0.41%	5	0.29%
Total	142	9.72%	127	7.29%
Total Water Consumed (AF)	1,461	100.00%	1,743	100.00%

AF = Acre Feet

**Notes:**

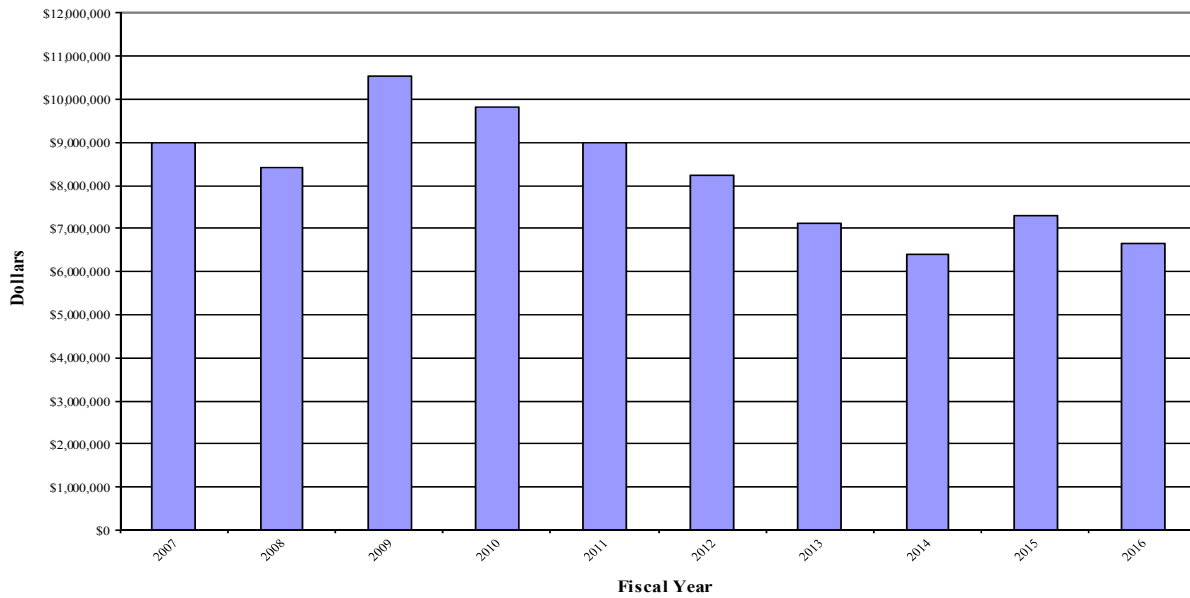
(1) Individual records will continue to be maintained to allow for a ten year comparison over time.

**Source:** SLVWD Finance Department

**San Lorenzo Valley Water District  
Ratio of Outstanding Debt  
Last Ten Fiscal Years**

**Schedule 8**

<b>Fiscal Year</b>	<b>Bonds Payable</b>	<b>Notes Payable</b>	<b>Capital Lease</b>	<b>Total Debt</b>	<b>Per Capita</b>	<b>As a Share of Personal Income</b>
2007	\$ 795,000	8,200,757	-	8,995,757	603.94	1.28%
2008	720,000	7,694,095	-	8,414,095	461.30	0.99%
2009	645,000	9,892,885	-	10,537,885	577.02	1.35%
2010	565,000	9,268,985	-	9,833,985	538.18	1.26%
2011	480,000	8,519,250	-	8,999,250	492.17	1.08%
2012	5,898,472	2,338,401	-	8,236,873	450.41	0.92%
2013	4,930,026	2,207,278	-	7,137,304	388.53	0.78%
2014	4,344,115	2,073,045	-	6,417,160	349.28	0.67%
2015	3,743,682	3,554,130	-	7,297,812	394.32	0.69%
2016	3,253,332	3,416,993	-	6,670,325	338.29	*



\* Per Capita Personal Income is unavailable as of the date of this report.

**Source:** SLVWD Finance Department

**San Lorenzo Valley Water District  
Debt Coverage  
Last Ten Fiscal Years**

**Schedule 9**

<b>Fiscal Year</b>	<b>Net Revenues</b>		<b>Operating Expenses<sup>(1)</sup></b>	<b>Net Available Revenues</b>	<b>Debt Service</b>		<b>Coverage Ratio</b>
					<b>Principal</b>	<b>Interest</b>	
						<b>Total</b>	
2007	\$	4,362,189	(3,959,644)	402,545	(512,551)	(362,406)	(0.46)
2008		5,207,342	(4,456,030)	751,312	(581,662)	(406,676)	(0.76)
2009		4,641,071	(4,234,583)	406,488	(708,425)	(455,204)	(0.35)
2010		5,881,409	(4,275,569)	1,605,840	(703,900)	(349,705)	(1.52)
2011		4,942,850	(4,245,987)	696,863	(834,735)	(357,274)	(0.58)
2012		5,660,321	(4,399,636)	1,260,685	(762,377)	(352,109)	(1.13)
2013		5,828,616	(4,736,829)	1,091,787	(1,099,569)	(211,233)	(0.83)
2014		6,216,360	(5,173,764)	1,042,596	(720,144)	(295,513)	(1.03)
2015		6,485,933	(5,552,334)	933,599	(737,932)	(127,850)	(1.08)
2016		6,936,828	(5,560,839)	1,375,989	(757,130)	(185,411)	(1.46)

**Notes:**

(1) Operating expenses exclude depreciation expense.

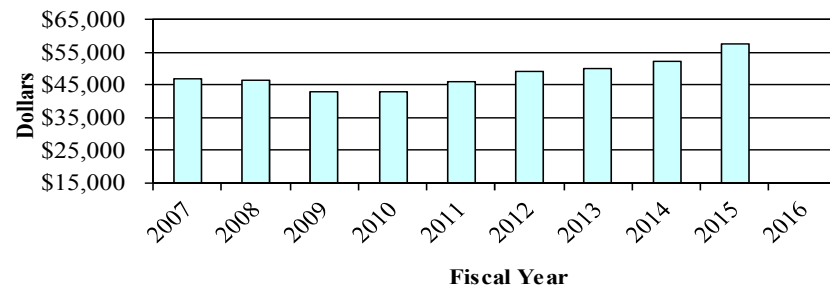
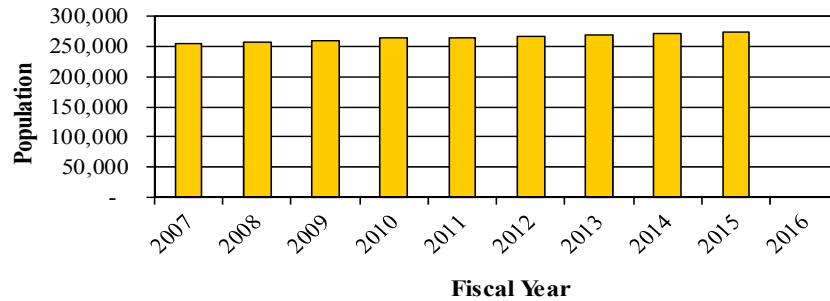
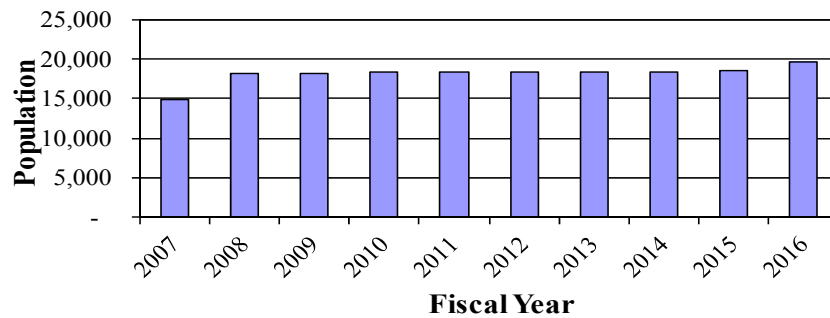
**Source:** SLVWD Finance Department

# San Lorenzo Valley Water District Demographics and Economics Statistics Last Ten Fiscal Years

Schedule 10

County of Santa Cruz <sup>(1)</sup>					
Year	District Population <sup>(2)</sup>	Unemployment Rate	Population	Personal Income (thousands of dollars)	Personal Income per Capita
2007	14,895	5.9%	253,304	11,910,387	47,020
2008	18,240	7.4%	256,520	11,940,819	46,549
2009	18,263	11.1%	260,009	11,080,626	42,616
2010	18,273	13.3%	263,213	11,267,634	42,808
2011	18,285	13.1%	264,923	12,125,514	45,770
2012	18,288	11.8%	266,632	13,116,916	49,195
2013	18,370	10.3%	269,444	13,456,565	49,942
2014	18,373	8.7%	271,804	14,209,814	52,280
2015	18,508	7.5%	274,146	15,696,689	57,257
2016	19,718	*	*	*	*

\* Current data not available yet



## Notes:

(1) Only County data is updated annually. Therefore, the District has chosen to use its data since the District believes that the County data is representative of the conditions and experience of the District.

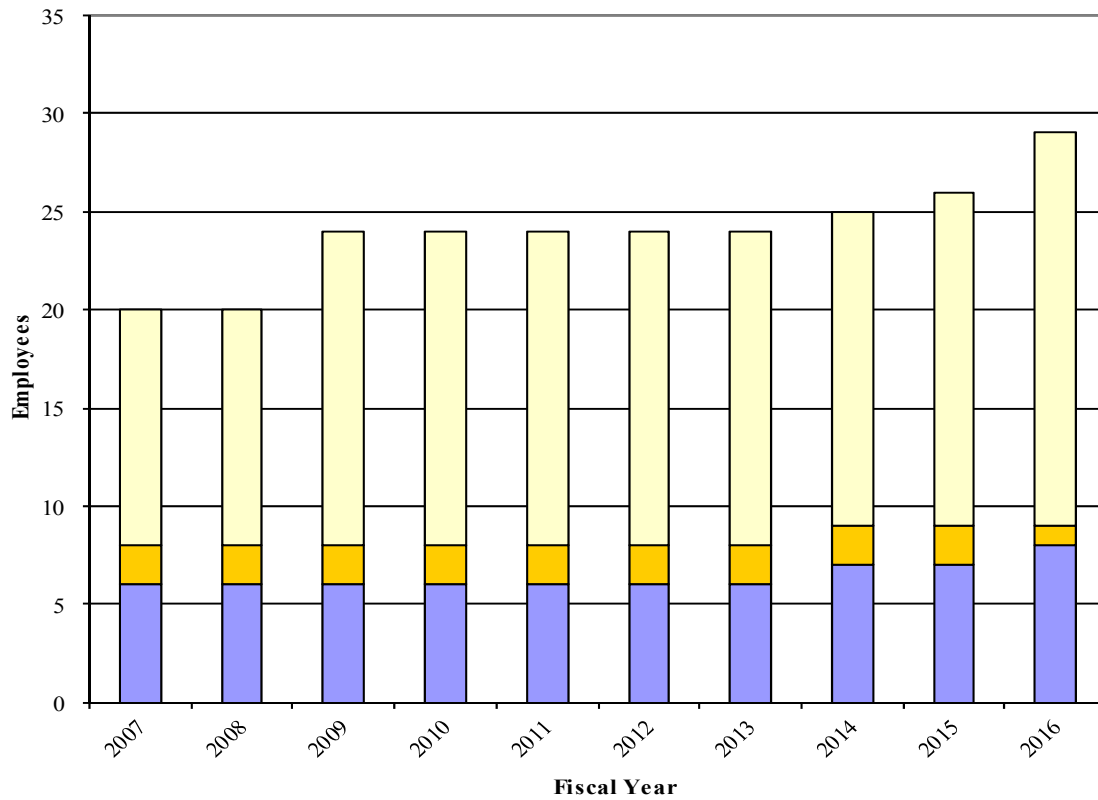
(2) Population data is assumed at 2.5 persons per connection.

**Sources:** California Department of Finance, Bureau of Economic Analysis (BEA)  
Bureau of Labor Statistics

**San Lorenzo Valley Water District  
Full-Time Equivalent Employees  
Last Ten Fiscal Years**

**Schedule 11**

<b>Full-time Equivalent District Employees by Department</b>				
<b>Fiscal Year</b>	<b>District Administration</b>	<b>Watershed &amp; Engineering</b>	<b>Treatment &amp; Operations</b>	<b>Total</b>
2007	6	2	12	20
2008	6	2	12	20
2009	6	2	16	24
2010	6	2	16	24
2011	6	2	16	24
2012	6	2	16	24
2013	6	2	16	24
2014	7	2	16	25
2015	7	2	17	26
2016	8	1	20	29



**Source:** SLVWD Finance Department



**San Lorenzo Valley Water District  
Operating and Capacity Indicators  
Last Ten Fiscal Years**

**Schedule 12**

**Other Operating and Capacity Indicators**

<b>Fiscal Year</b>	<b>District Area (Square Miles)</b>	<b>Miles of Pipeline</b>	<b>Storage Capacity (MG)</b>	<b>Production Capacity TP <sup>(1)</sup> (MGD)</b>	<b>Production Capacity Wells <sup>(1)</sup> (MGD)</b>
2007	56	120	7,521,000	1,800,000	1,800,000
2008	58	140	8,472,000	2,300,000	1,800,000
2009	58	140	8,472,000	2,300,000	1,800,000
2010	58	140	8,472,000	2,300,000	1,800,000
2011	58	140	8,472,000	2,300,000	1,800,000
2012	58	140	8,472,000	2,300,000	1,800,000
2013	58	140	8,472,000	2,300,000	1,800,000
2014	58	140	8,472,000	2,300,000	1,800,000
2015	58	140	8,472,000	2,300,000	1,800,000
2016	60	169	9,297,000	2,700,000	1,800,000

MG - Millions of Gallons

MGD - Millions of Gallons per Day

TP - Treatment Plant

**Notes:**

(1) Production capacity varies based on water levels during the year.

**Sources:** SLVWD Operations Department and Urban Water Management Plan

**< Page Intentionally Left Blank >**

# **Report on Internal Controls and Compliance**





**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

**Independent Auditor's Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on Audits 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 years ended June 30, 2016 and 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 January 17, 2017.

**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 Audits 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

January 17, 2017

**San Lorenzo Valley Water District**

**Management Report**

**June 30, 2016**



**Fedak & Brown LLP**  
Certified Public Accountants

# **San Lorenzo Valley Water District**

## **Management Report**

### **Table of Contents**

<u>Item</u>	<u>Page No.</u>
General Introduction	1
Summary of Current Year Comments and Recommendations	1-2
Status of Comments and Recommendations Made in the Previous Year	2-3
<b>Appendix:</b>	
Audit/Finance Committee Letter	1-3
Schedule of GASB 68 Adjustments	4
Schedule of Client Adjusting Journal Entries	4
Schedule of Adjusting/Reclassification Journal Entries	5





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:**

In planning and performing our audit of the financial statements of San Lorenzo Valley Water District (District) as of and for the year ended June 30, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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.

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. 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**

##### ***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.

## **Summary of Current Year Comments and Recommendations, continued**

### ***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, 2016.

## **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.

### ***Comment Status Update***

During our audit of the District's cash and investments as of June 30, 2016, we noted that the District's investment in certificates of deposit did not exceed 30% of its total investments. As a result, we believe that the basis for our prior comment has been adequately resolved.

### ***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.

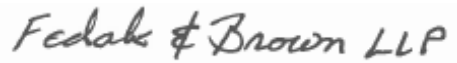
### ***Management's Response***

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.

\* \* \* \* \*

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.

A handwritten signature in dark ink that reads "Fedak & Brown LLP". The signature is written in a cursive, flowing style.

**Fedak & Brown LLP**

Cypress, California

January 17, 2017

## **APPENDIX**

**San Lorenzo Valley Water District**

**Audit/Finance Committee Letter**

**June 30, 2016**



# 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

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, 2016, and have issued our report thereon dated January 17, 2017. 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 April 1, 2016, our responsibility, as described by professional standards, is to express an opinion about whether the basic financial statements prepared by management with your oversight 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 you or management of its responsibilities.

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 as previously communicated to management. Professional standards also require that we communicate to you the following information related to our audit.

### **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 2 to the financial statements, the District adopted Governmental Accounting Standards Board Statement No. 72, Fair Value Measurement and Application, and No. 79, Certain External Investment Pools and Pool Participants, as of June 30, 2016.

We noted no transactions entered into by the District during fiscal year 2016 for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

### **Management's Judgments, Accounting Estimates and Financial Disclosures**

Accounting estimates are an integral part of the basic financial statements prepared by management and are based on management's knowledge and experience 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 was (were):

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.

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 was (were):

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 6 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 8 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 10 to the basic financial statements is based on actuarial assumptions which could differ from actual costs.

The disclosure of the transfer from Lompico County Water District (Lompico) as a result of the merger with the District in Note 11 to the basic financial statements is based on the carrying values of assets, deferred outflows of resources, liabilities and deferred inflows of resources of the operations of Lompico as of June 1, 2016.

The disclosures in the basic financial statements are neutral, consistent and clear.

### **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 4 through 5)

### **Disagreements with Management**

For the purpose of this letter, a disagreement with management is 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.

### **Management Representations**

We have requested certain representations from management that are included in the management representational letter to the Auditor dated January 17, 2017.

### **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 principle 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.

### **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.

### **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.

*Fedak & Brown LLP*

**Fedak & Brown LLP**  
Cypress, California  
January 17, 2017

**San Lorenzo Valley Water District  
Schedule of GASB 68 Adjustments  
June 30, 2016**

The District has recorded the following adjustments in accordance with Governmental Accounting Standards Board No. 68 and

**GASB 68 Entry No. 1 - To reclassify 2015 contributions to net pension liability at June 30, 2016.**

01-000-2420	NET PENSION LIABILITY	\$	223,328.00	
01-000-1800	DEFERRED OUTFLOW GASB 68			223,328.00

**GASB 68 Entry No. 2 - To reclassify 2016 contributions to deferred outflows of resources at June 30, 2016.**

01-000-1800	DEFERRED OUTFLOW GASB 68		166,105.00	
01-100-5180	PENSION EXPENSE - GASB 68			166,105.00

**GASB 68 Entry No. 3 - To record changes in pension liability during fiscal year 2014/2015 at June 30, 2016.**

01-000-1800	DEFERRED OUTFLOW GASB 68		248,919.00	
01-000-2800	DEFERRED INFLOW GASB 68		84,977.00	
01-000-2420	NET PENSION LIABILITY			330,336.00
01-100-5180	PENSION EXPENSE - GASB 68			3,560.00

**GASB 68 Entry No. 4 - To record changes in the deferred outflows and deferred inflows (amortization) during fiscal year 2015/2016 at June 30, 2016.**

01-000-2800	DEFERRED INFLOW GASB 68		210,555.00	
01-000-1800	DEFERRED OUTFLOW GASB 68			69,584.00
01-100-5180	PENSION EXPENSE - GASB 68	\$		140,971.00

**San Lorenzo Valley Water District  
Schedule of Client Adjusting Journal Entries  
June 30, 2016**

**Client Adjusting Journal Entries JE # 1**

CPE - To write off deposits that do not exist.

01-000-2300	CUSTOMER DEPOSITS	\$	11,041.96	
01-000-4150	MISCELLANEOUS			11,041.96

**Client Adjusting Journal Entries JE # 2**

CPE - To adjust inventory.

01-000-1310	INVENTORY CLEARING		12,963.85	
01-400-5300	OPERATING SUPPLIES		27,416.38	
01-000-1300	INVENTORY			12,963.85
01-000-1300	INVENTORY	\$		27,416.38



**San Lorenzo Valley Water District  
Schedule of Adjusting/Reclassification Journal Entries  
June 30, 2016**

**Adjusting Journal Entries JE # 1**

RJE - To reclassify customer deposit that has not been received and recorded as a receivable.

01-000-2300	CUSTOMER DEPOSITS	\$	6,082.15	
01-000-1200	ACCOUNTS RECEIVABLE			6,082.15

**Adjusting Journal Entries JE # 2**

RJE - To record retainer to for project.

01-000-1570	CIP - STATE PROJECTS		166,141.71	
01-000-2110	ACCRUED EXPENSES			166,141.71

**Adjusting Journal Entries JE # 3**

AJE - To record unbilled receivable.

01-000-1215	Accrued Unbilled Receivable		209,033.94	
01-000-4100	WATER USAGE FEES			209,033.94

**Adjusting Journal Entries JE # 4**

PPA - The restate prior year net position for unbilled receivable.

01-000-4100	WATER USAGE FEES		164,580.74	
01-000-3110	PRIOR YEAR ADJUSTMENT			164,580.74

**Adjusting Journal Entries JE # 5**

AJE - To record the transfer of Lompico County Water District's net position as a result of the merger.

01-000-1101	PETTY CASH		250.00	
01-000-1129	Cash - Lompico		228,275.21	
01-000-1139	Cash Restricted - Lompico		55,681.40	
01-000-1300	INVENTORY		2,295.48	
01-000-1500	LAND		34,820.00	
01-000-1520	OFFICE EQUIPMENT & FURNITURE		86,902.14	
01-000-1549	OTHER TRANS. & DIST.		3,766,240.00	
01-000-1800	DEFERRED OUTFLOW GASB 68		17,754.00	
01-000-4100	WATER USAGE FEES		39,436.35	
01-000-1620	DEPREC. OFFICE EQUIP. & FURN.			73,673.85
01-000-1649	DEPREC. OTHER TRANS. & DIST.			2,812,827.00
01-000-2111	ACCRUED INTEREST			1,834.39
01-000-2402	NOTES PAYABLE - REFUNDING BOND			126,000.00
01-000-2420	NET PENSION LIABILITY			107,880.00
01-000-2800	DEFERRED INFLOW GASB 68			21,872.00
01-000-3101	LOMPICO MERGER			1,027,442.42
01-100-5145	WORKERS COMPENSATION			13,206.20
01-100-5200	CONTRACT/PROFESSIONAL SERVICES			36,470.96
01-100-5210	LEGAL SERVICES			10,000.00
01-100-5510	TELEPHONE/COMMUNICATIONS	\$		447.76