

**San Lorenzo Valley Water District**  
**Comprehensive Annual Financial Report**  
**For the Fiscal Years June 30, 2019 and 2018**



**Boulder Creek, California**





## **Our Mission**

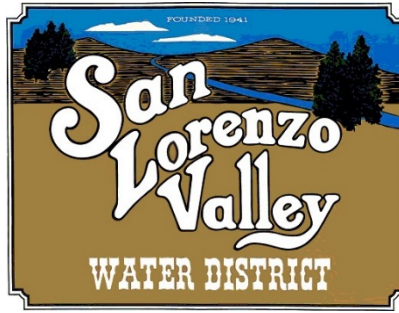
Our mission is to provide our customers and all future generations with reliable, safe and high quality water at an equitable price; to create and maintain outstanding customer service; to manage and protect the environmental health of the aquifers and watersheds; and, to ensure the fiscal vitality of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

### **San Lorenzo Valley Water District**

#### **Board of Directors as of June 30, 2019**

<u>Name</u>	<u>Title</u>	<u>Elected/ Appointed</u>	<u>Term Expires</u>
Lois Henry	President	Elected	December 2022
Bob Fultz	Vice President	Elected	December 2022
Lew Farris	Director	Appointed	December 2020
Steve Swan	Director	Elected	December 2022
Bill Smallman	Director	Elected	December 2020

**Rick Rogers, 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**

**For the Fiscal Years Ended June 30, 2019 and 2018**

**Prepared by:**

***Stephanie Hill, Director of Finance and Business Services***

**San Lorenzo Valley Water District  
Comprehensive Annual Financial Report  
For the Fiscal Years Ended June 30, 2019 and 2018**

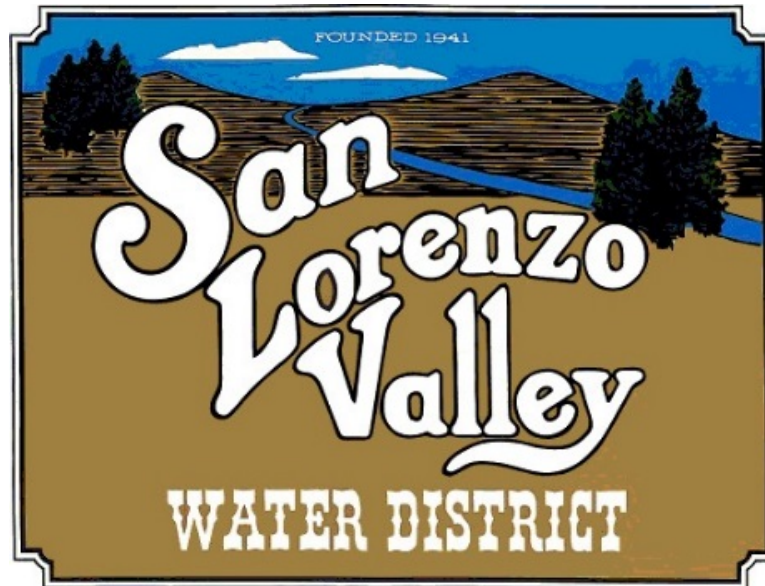
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## **Introductory Section**







December 5, 2019

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, 2019, 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, 2019. 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 History 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 34 employees. The District's Board of Directors meets regularly, meetings are publicly noticed and citizens are encouraged to attend.

The District owns, operates, and maintains two water systems that supply separate service areas from separate water sources. The North/South Service Area includes the unincorporated communities of Boulder Creek, Brookdale, Ben Lomond, Zayante, Lompico, and portions of the City of Scotts Valley and adjacent unincorporated neighborhoods. 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.

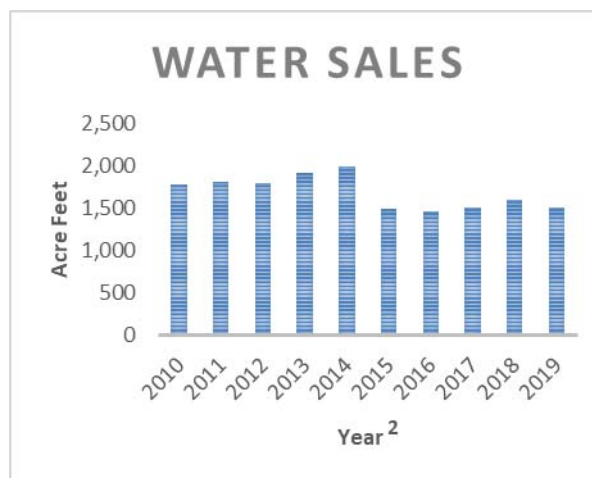
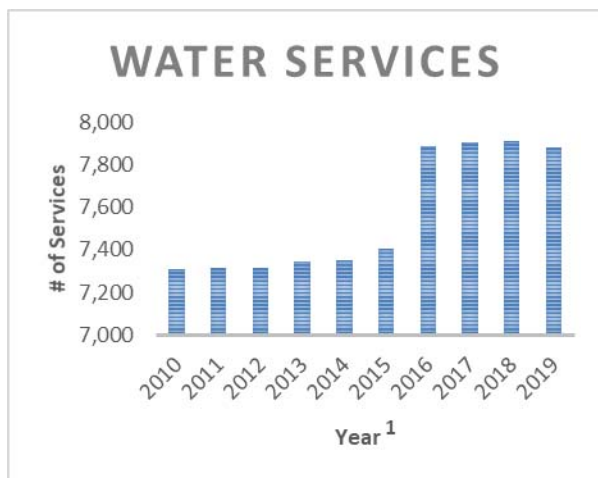
The District owns, operates, and maintains a wastewater system in Boulder Creek's Bear Creek Estates, which serves approximately 56 homes.

The District's boundaries comprise approximately 60 square miles. There are 170 miles of pipeline, 39 tank sites and 30 booster pump stations serving 36 pressure zones. 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. In 2017, a rate study and 5 year rate increase was implemented, included was eliminating the drought recovery fee.

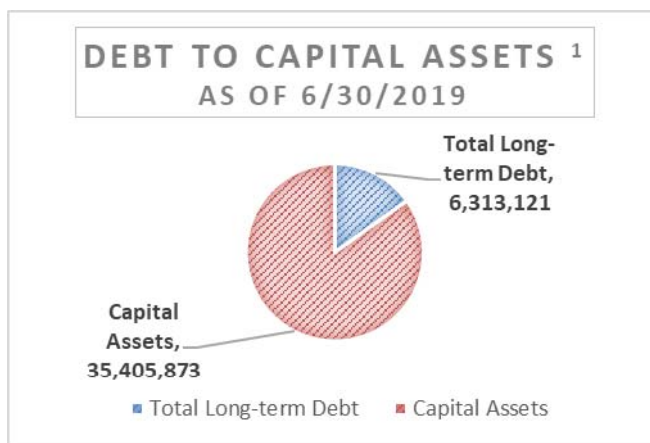


<sup>1</sup> In 2016 approximately 500 new services came on as part of the Lompico County Water District merger.

<sup>2</sup> In 2014, a State of emergency drought declared, created mandated water restrictions.

## 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.

Capital Improvement Projects (CIP) continue to be a major initiative. The District pursued and received a \$2,000,000 loan to fund the Probation Tank project. Additionally, during the fiscal year, the District was in the process of obtaining \$14,500,000 certificates of participation to fund upcoming capital projects. The financing was obtained shortly after the fiscal year end. The intended use of these proceeds are to fund several major capital projects. These main line replacements/upgrades will correct many low water pressure areas, removing restrictions and greatly improving water flow to Boulder Creek, Ben Lomond, Lompico, Zayante, and Scotts Valley.

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

<sup>1</sup> Capital assets are at original purchase price and not replacement cost.

### **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.

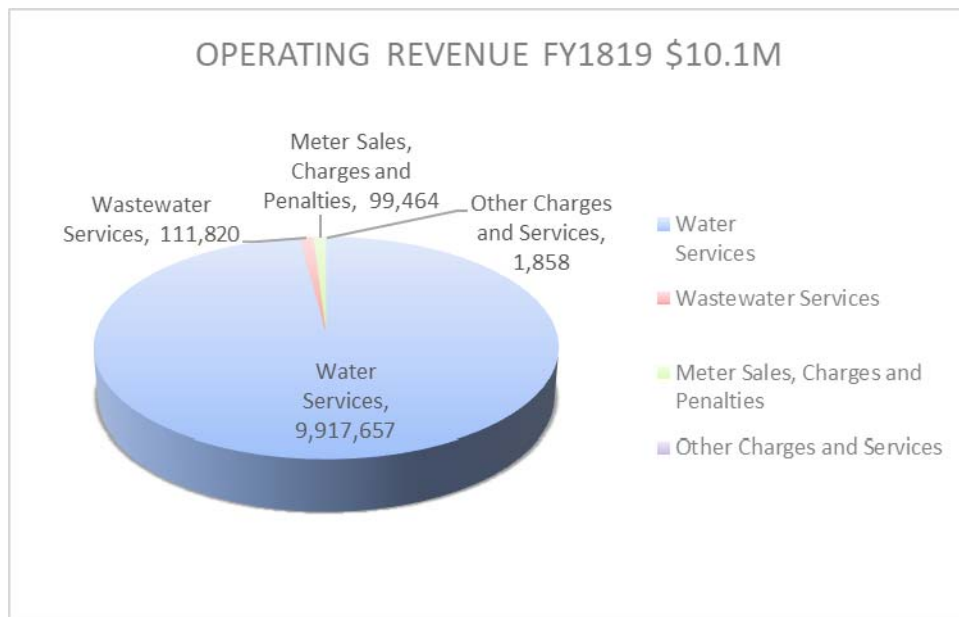
### **Investment Policy**

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. In 2017, the rate study resulted in a 5 year rate increase, with a shift to be more consumption based. Also implemented was a revenue stabilization rate policy, to account for more immediate actions if a major consumption gap occurred again. The 5 year rate increase and revenue stabilization rate policy have proven instrumental in being able to attract more financing options for the District. Most water agencies have high fixed costs, which causes financial problems given the revenue is directly related to consumption. Having triggers in place, as outlined in the revenue stabilization rate policy, helps secure the financial vitality of the District if events lead to significant consumption changes.



### **Water Conservation**

While the 2014 State of emergency drought was lifted in 2017, there are Senate Bill 606 and Assembly Bill 1668 that were signed into legislation. This legislation created water use efficiency standards and authorized the State Water Board to require monthly water production, water use, or water conservation reports on a non-emergency basis. For indoor residential water use, 55 gallons per capita daily water use is required as a provisional standard. The District customers have been lower than the required 55 gallons per capita daily use. The District appreciates our customer's conservation efforts.

### **Water Conservation Rebate 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 (*reinstated FY1617 when the State of CA inactivated their program*)
- Turf replacement credit (*suspended FY1516 while State of CA had an active program*)
- Weather based irrigation controller credit
- Grey water irrigation system

## **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 a member of 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**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting, to the San Lorenzo Valley Water District for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2016. This was the first year the District had achieved this prestigious award. The District received the certificate again for fiscal year ended June 30, 2017. In order to be awarded a Certificate of Achievement for Excellence in Financial Reporting, a government unit must publish an easily readable and efficiently organized CAFR. This report must satisfy both Generally Accepted Accounting Principles (GAAP) and all applicable legal requirements.

A Certificate of Achievement for Excellence in Financial Reporting is valid for a period of one year only. We believe that our current CAFR continues to meet the requirements of the GFOA Certificate of Achievement Program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

## **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,

Rick Rogers  
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:



**Lois Henry  
(President)**



**Steve Swan  
(Director)**



**Bob Fultz  
(Vice President)**

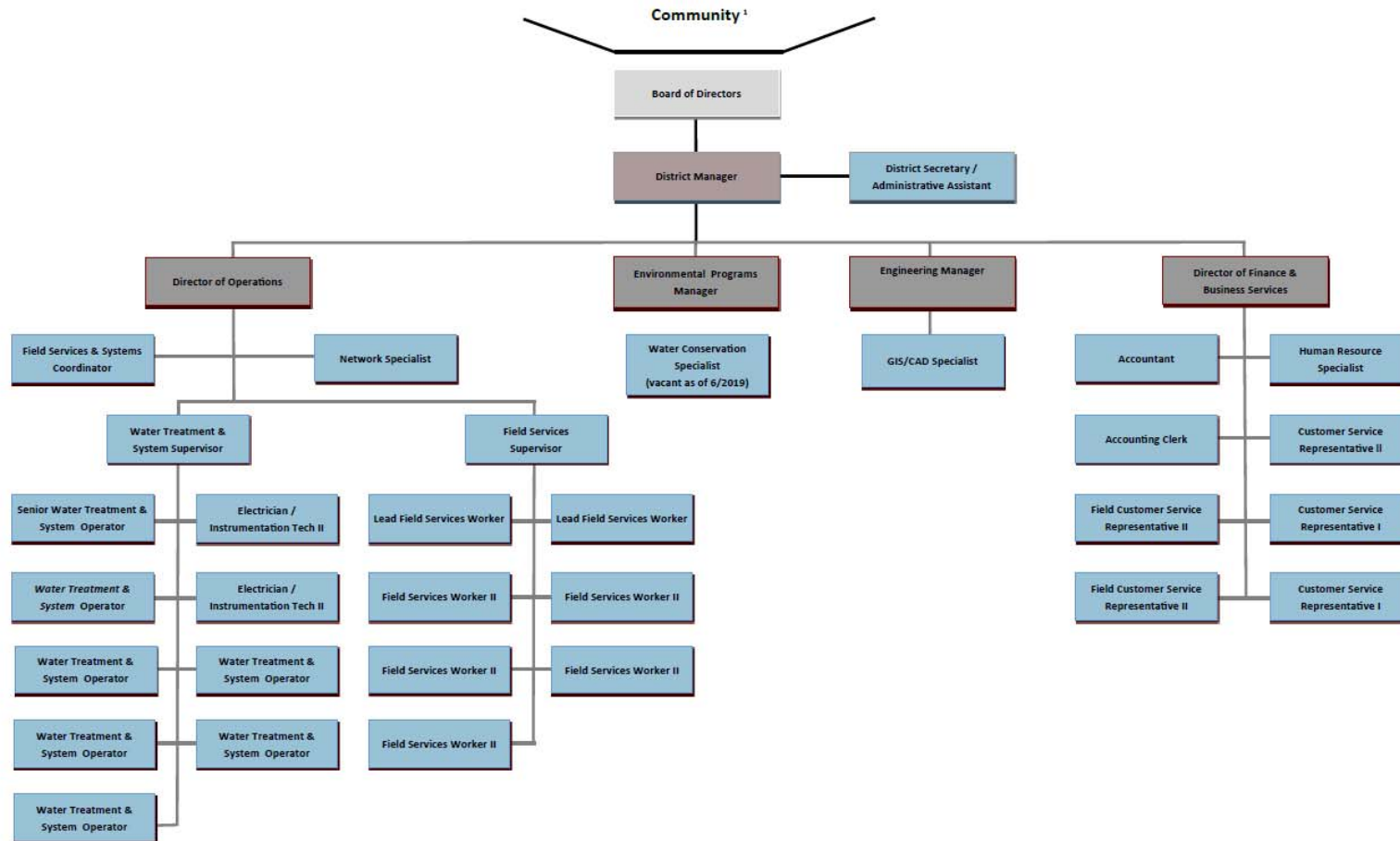


**Bill Smallman  
(Director)**



**Lew Farris  
(Director)**

## San Lorenzo Valley Water District Organizational Chart



Footnote: <sup>1</sup>The District is governed by a five-member Board of Directors, elected by the community at-large from within the District's service area.



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**San Lorenzo Valley Water District  
California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2018**

*Christopher P. Morill*

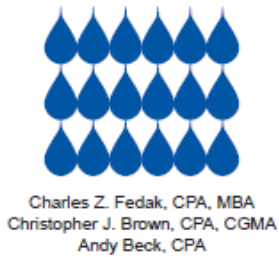
Executive Director/CEO

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## **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:  
1945 Chicago Avenue, Suite C-1  
Riverside, California 92507  
(951) 783-9149

### 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 business-type activities of the San Lorenzo Valley Water District (District), as of and for the years ended June 30, 2019 and 2018, 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; 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 business-type activities of the San Lorenzo Valley Water District as of June 30, 2019 and 2018, and the respective changes in financial 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 a Matter***

As discussed in Note 9 to the financial statements, as and for the year ended year ended June 30, 2018, the District restated its net position for the effects of the provisions of GASB Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and for the inclusion of the Santa Margarita Groundwater Agency as a joint-powers authority (JPA). 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 13 through 19 and the required supplementary information on pages 58 through 60 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 audits 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 audits were 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 9, the supplemental information schedules on pages 61 through 63, and the statistical section on pages 64 through 77, 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 audits 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 audits of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

## **Independent Auditor's Report, continued**

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2019, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance. This report can be found on pages 78 and 79.

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  
December 5, 2019

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**San Lorenzo Valley Water District**  
***Management's Discussion and Analysis***  
**For the Fiscal Years Ended June 30, 2019 and 2018**

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, 2019 and 2018. 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 7.24% or \$2,108,538 to \$31,227,512. In 2018, the District's net position increased 3.06% or \$863,539 to \$29,118,974. See note 9 for further discussion.
- The District's operating revenues increased 9.93% or \$915,435 to \$10,130,799. In 2018, the District's operating revenues increased 23.76% or \$1,769,234 to \$9,215,364.
- The District's non-operating revenues increased 7.28% or \$85,626 to \$1,261,847. In 2018, the District's non-operating revenues decreased 3.05% or \$37,023 to \$1,176,221.
- The District's operating expenses decreased 3.30% or \$250,760 to \$7,341,031. In fiscal year 2018, the District's operating expenses increased 6.78% or \$482,333 to \$7,591,791.
- The District's non-operating expenses increased 213.54% or \$406,741 to \$597,218. In 2018, the District's non-operating expenses increased 14.60% or \$24,273 to \$190,477.

**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 service to the customers of the District are financed primarily through user charges.

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

**San Lorenzo Valley Water District**  
**Management's Discussion and Analysis, continued**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

**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?" A Statement of Net Position and a Statement of Revenues, Expenses, and Changes in Net Position report information about the District in a way that helps answer this question.

These statements include all assets, deferred outflows, liabilities, and deferred inflows using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the District's *net position* and changes in them. One 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 change in economic conditions, population growth, zoning, and new or changed government legislation, such as change 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 57.

**Statements of Net Position**

<b>Condensed Statements of Net Position</b>					
	<b>2019</b>	<b>As Restated 2018</b>	<b>Change</b>	<b>2017</b>	<b>Change</b>
<b>Assets:</b>					
Current assets	\$ 7,555,633	5,130,142	2,425,491	3,928,212	1,201,930
Non-current assets	52,510	30,030	22,480	-	30,030
Capital assets, net	35,405,873	34,528,731	877,142	34,773,096	(244,365)
<b>Total assets</b>	<b>43,014,016</b>	<b>39,688,903</b>	<b>3,325,113</b>	<b>38,701,308</b>	<b>987,595</b>
<b>Deferred outflows of resources</b>	<b>934,898</b>	<b>1,253,820</b>	<b>(318,922)</b>	<b>1,007,189</b>	<b>246,631</b>
<b>Liabilities:</b>					
Current liabilities	1,903,383	1,871,108	32,275	1,860,313	10,795
Non-current liabilities	10,694,373	9,643,477	1,050,896	9,327,645	315,832
<b>Total liabilities</b>	<b>12,597,756</b>	<b>11,514,585</b>	<b>1,083,171</b>	<b>11,187,958</b>	<b>326,627</b>
<b>Deferred inflows of resources</b>	<b>123,646</b>	<b>309,164</b>	<b>(185,518)</b>	<b>265,104</b>	<b>44,060</b>
<b>Net position:</b>					
Net investment in capital assets	29,092,752	29,278,749	(185,997)	28,551,697	727,052
Restricted	2,231,220	637,205	1,594,015	686,020	(48,815)
Unrestricted (deficit)	(96,460)	(796,980)	700,520	(982,282)	185,302
<b>Total net position</b>	<b>\$ 31,227,512</b>	<b>29,118,974</b>	<b>2,108,538</b>	<b>28,255,435</b>	<b>863,539</b>



**San Lorenzo Valley Water District**  
**Management's Discussion and Analysis, continued**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

**Statements of Net Position, continued**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets plus deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$31,227,512 and \$29,118,974 as of June 30, 2019 and 2018, respectively.

The District's net position increased 7.24% or \$2,108,538. In fiscal year 2018, the District's net position increased 3.06% or \$863,539. The District's total net position is made up of three components: (1) net investment in capital assets; (2) restricted net position; and (3) unrestricted net position.

At the end of fiscal year 2019, the District showed a deficit balance in its unrestricted net position of \$96,460, compared to a deficit balance of \$796,980 at the end of fiscal year 2018. See Note 10 for the further information.

By far the largest portion of the District's net position (93.16% and 100.55% as of June 30, 2019 and 2018) 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 10 for further information.

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

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

	<u>2019</u>	<u>As Restated 2018</u>	<u>Change</u>	<u>2017</u>	<u>Change</u>
<b>Revenues:</b>					
Operating revenues	\$ 10,130,799	9,215,364	915,435	7,446,130	1,769,234
Non-operating revenues	1,261,847	1,176,221	85,626	1,213,244	(37,023)
<b>Total revenues</b>	<u>11,392,646</u>	<u>10,391,585</u>	<u>1,001,061</u>	<u>8,659,374</u>	<u>1,732,211</u>
<b>Expenses:</b>					
Operating expenses	7,341,031	7,591,791	(250,760)	7,109,458	482,333
Non-operating expenses	597,218	190,477	406,741	166,204	24,273
Overhead absorption	(146,321)	(163,697)	(310,018)	(74,683)	(89,014)
Depreciation	1,563,805	1,640,273	(76,468)	1,417,477	222,796
<b>Total expenses</b>	<u>9,355,733</u>	<u>9,258,844</u>	<u>96,889</u>	<u>8,618,456</u>	<u>640,388</u>
<b>Net income before capital contributions</b>	<u>2,036,913</u>	<u>1,132,741</u>	<u>904,172</u>	<u>40,918</u>	<u>1,091,823</u>
<b>Capital contributions</b>	<u>71,625</u>	<u>434,908</u>	<u>(363,283)</u>	<u>-</u>	<u>434,908</u>
<b>Changes in net position</b>	<u>2,108,538</u>	<u>1,567,649</u>	<u>540,889</u>	<u>40,918</u>	<u>1,526,731</u>
<b>Net position, beginning of year, as previously stated</b>	29,118,974	28,255,435	863,539	28,214,517	40,918
<b>Prior period adjustment (note 9)</b>	<u>-</u>	<u>(704,110)</u>	<u>704,110</u>	<u>-</u>	<u>(704,110)</u>
<b>Net position, beginning of year, as restated</b>	<u>29,118,974</u>	<u>27,551,325</u>	<u>1,567,649</u>	<u>28,214,517</u>	<u>(663,192)</u>
<b>Net position, end of year</b>	<u>\$ 31,227,512</u>	<u>29,118,974</u>	<u>2,108,538</u>	<u>28,255,435</u>	<u>863,539</u>

**San Lorenzo Valley Water District**  
**Management's Discussion and Analysis, continued**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

**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 7.24% or \$2,108,538 to \$31,227,512, due primarily to ongoing operations.

In fiscal year 2018, the District's net position increased 3.06% or \$863,539 to \$29,118,974, which is comprised of an increase in operations of \$1,567,649 and a decrease from a prior period adjustment of \$704,110. See Note 9 for further information.

**Total Revenues**

	<u>2019</u>	<u>As Restated 2018</u>	<u>Change</u>	<u>2017</u>	<u>Change</u>
<b>Operating revenues:</b>					
Water consumption sales	\$ 9,917,657	8,983,340	934,317	7,157,650	1,825,690
Wastewater service	111,820	100,138	11,682	102,107	(1,969)
Meter sales, charges, and penalties	99,464	128,305	(28,841)	178,632	(50,327)
Other charges and services	1,858	3,581	(1,723)	7,741	(4,160)
<b>Total operating revenues</b>	<u>10,130,799</u>	<u>9,215,364</u>	<u>915,435</u>	<u>7,446,130</u>	<u>1,769,234</u>
<b>Non-operating revenues:</b>					
Property tax	780,378	747,404	32,974	771,369	(23,965)
Assessment revenues	350,694	349,130	1,564	358,469	(9,339)
Investment income	86,733	23,040	63,693	13,858	9,182
Rental revenue	44,042	56,647	(12,605)	59,548	(2,901)
Settlement and purchase agreements	-	-	-	10,000	(10,000)
<b>Total non-operating revenues</b>	<u>1,261,847</u>	<u>1,176,221</u>	<u>85,626</u>	<u>1,213,244</u>	<u>(37,023)</u>
<b>Capital contributions:</b>					
Capital grants - other governments	71,625	434,908	(363,283)	-	434,908
<b>Total revenues</b>	<u>\$ 11,464,271</u>	<u>10,826,493</u>	<u>637,778</u>	<u>8,659,374</u>	<u>2,167,119</u>

The District's total revenues increased \$637,778. Operating revenues increased \$915,435, primarily due to an increase in water consumption sales of \$934,317. Non-operating revenues increased \$85,626, primarily due to increases of \$63,693 in investment income and \$32,974 in property taxes; which were offset by a decrease of \$12,605 in rental revenues.

In fiscal year 2018, the District's total revenues increased \$2,197,149. Operating revenues increased \$1,769,234, primarily due to an increase in water consumption sales of \$1,825,690; which was offset by a decrease of \$50,327 in meter sales, charges, and penalties. Non-operating revenues decreased \$37,023, primarily due to a decrease of \$33,304 in property tax/assessment revenues.

**San Lorenzo Valley Water District**  
**Management's Discussion and Analysis, continued**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

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

**Total Expenses**

	<u>2019</u>	<u>2018</u>	<u>Change</u>	<u>2017</u>	<u>Change</u>
<b>Operating expenses including depreciation expense:</b>					
Salaries and benefits	\$ 4,865,859	4,840,518	25,341	4,498,595	341,923
Professional services	1,037,612	1,349,279	(311,667)	1,202,004	147,275
Operational	375,948	320,876	55,072	464,236	(143,360)
Maintenance	153,892	143,714	10,178	130,244	13,470
Facilities	568,165	554,547	13,618	499,400	55,147
General and administrative	339,555	382,857	(43,302)	314,979	67,878
Depreciation	1,563,805	1,640,273	(76,468)	1,417,477	222,796
<b>Total operating expenses including depreciation expense</b>	<u>8,904,836</u>	<u>9,232,064</u>	<u>(327,228)</u>	<u>8,526,935</u>	<u>705,129</u>
<b>Non-operating expenses:</b>					
Interest expense	153,662	150,507	3,155	166,204	(15,697)
Change in investment in JPA	123,148	39,970	83,178	-	39,970
Loss on disposition of capital assets	320,408	-	320,408	-	-
<b>Total non-operating expenses</b>	<u>597,218</u>	<u>190,477</u>	<u>406,741</u>	<u>166,204</u>	<u>24,273</u>
<b>Total expenses</b>	<u>\$ 9,502,054</u>	<u>9,422,541</u>	<u>79,513</u>	<u>8,693,139</u>	<u>729,402</u>

The District's total expenses increased \$79,513. The District's operating expenses decreased \$327,228 primarily due to decreases of \$311,667 in professional services, \$76,468 in depreciation expense, and \$43,302 in general and administrative; which were offset by an increase of \$55,072 in operational expenses. The District's non-operating expenses increased \$323,563, primarily due to increases of \$320,408 in loss on disposal of capital assets caused by the destruction of a well and \$83,178 in change in investment in JPA.

In fiscal year 2018, the District's total expenses increased \$729,402. The District's operating expenses increased \$705,128, primarily due to increases of \$341,923 in salaries and benefits, \$222,796 in depreciation expense, \$147,275 in professional services, \$67,878 in general and administrative expenses, and \$55,147 in facilities expenses; which were offset by a decrease of \$143,360 in operational expenses. The District's non-operating expenses decreased \$24,273, primarily due to an increase of \$39,970 in change in investment in JPA; which was offset by a decrease of \$15,697 in interest expense.

**Capital Asset Administration**

Change in capital assets for 2019, was as follows:

	<u>Balance</u> <u>2018</u>	<u>Additions</u>	<u>Transfers/ Disposals</u>	<u>Balance</u> <u>2019</u>
Capital assets:				
Non-depreciable assets	\$ 8,010,150	2,761,355	(1,571,104)	9,200,401
Depreciable assets	58,493,808	1,571,104	(1,851,086)	58,213,826
Accumulated depreciation	<u>(31,975,227)</u>	<u>(1,563,805)</u>	<u>1,530,678</u>	<u>(32,008,354)</u>
<b>Total capital assets</b>	<u>\$ 34,528,731</u>	<u>2,768,654</u>	<u>(1,891,512)</u>	<u>35,405,873</u>

**San Lorenzo Valley Water District**  
**Management's Discussion and Analysis, continued**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

**Capital Asset Administration, continued**

Change in capital assets for 2018, was as follows:

	<b>Balance 2017</b>	<b>Additions</b>	<b>Transfers/ Disposals</b>	<b>Balance 2018</b>
Capital assets:				
Non-depreciable assets	\$ 7,024,237	1,395,908	(409,995)	8,010,150
Depreciable assets	58,083,813	409,995	-	58,493,808
Accumulated depreciation	<u>(30,334,954)</u>	<u>(1,640,273)</u>	<u>-</u>	<u>(31,975,227)</u>
Total capital assets	<u>\$ 34,773,096</u>	<u>165,630</u>	<u>(409,995)</u>	<u>34,528,731</u>

The District's investment in capital assets amounted to \$35,405,873 (net of accumulated depreciation). Major capital assets additions during the year included upgrades to the District's water transmission and distribution system, buildings and structures, field and shop equipment, and transportation equipment<sup>1</sup>.

At the end of fiscal year 2018, the District's investment in capital assets amounted to \$34,528,731 (net of accumulated depreciation). Major capital assets additions during the year included upgrades to the District's water transmission and distribution system, field and shop equipment, and transportation equipment.

See Note 4 for further information.

**Debt Administration**

Change in long-term debt amounts for 2019, was as follows:

	<b>Balance 2018</b>	<b>Additions</b>	<b>Principal Payments</b>	<b>Balance 2019</b>
Long-term debt:				
Notes payable	\$ 3,311,635	2,000,000	(248,342)	5,063,293
Bonds payable	1,845,823	-	(666,014)	1,179,809
Capital lease payable	<u>92,524</u>	<u>-</u>	<u>(22,505)</u>	<u>70,019</u>
Total long-term debt	<u>\$ 5,249,982</u>	<u>2,000,000</u>	<u>(936,861)</u>	<u>6,313,121</u>

Change in long term debt amounts for 2018, was as follows:

	<b>Balance 2017</b>	<b>Additions</b>	<b>Principal Payments</b>	<b>Balance 2018</b>
Long-term debt:				
Notes payable	\$ 3,551,243	-	(239,608)	3,311,635
Bonds payable	2,555,854	-	(710,031)	1,845,823
Capital lease payable	<u>114,302</u>	<u>-</u>	<u>(21,778)</u>	<u>92,524</u>
Total long-term debt	<u>\$ 6,221,399</u>	<u>-</u>	<u>(971,417)</u>	<u>5,249,982</u>

<sup>1</sup> Capital assets are at original purchase price and not replacement cost.

**San Lorenzo Valley Water District**  
***Management's Discussion and Analysis, continued***  
**For the Fiscal Years Ended June 30, 2019 and 2018**

**Debt Administration, continued**

The District's long-term debt increase \$1,063,139, primarily due to the addition of a \$2,000,000 Capital One loan, offset by \$936,861 in principal payments.

In fiscal year 2018, the District's long-term debt decreased \$971,417, primarily due to principal payments.

See Note 6 for further information.

**Conditions Affecting Current Financial Position**

Management is unaware of any conditions, which could have a significant impact on the District's current financial position, net position, or operating results in terms of past, present, and future.

**Requests for Information**

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

# **Basic Financial Statements**



**San Lorenzo Valley Water District**  
**Statements of Net Position**  
**June 30, 2019 and 2018**

	<b>2019</b>	<b>As Restated (note 9) 2018</b>
<b>Current assets:</b>		
Cash and cash equivalents (note 2)	\$ 1,043,351	694,844
Cash and cash equivalents – restricted (note 2)	2,231,220	637,205
Accrued interest receivable	5,487	-
Investments (note 2)	2,276,600	2,062,184
Accounts receivable – water sales and services	1,452,006	1,411,630
Accounts receivable – property taxes	1,715	2,477
Accounts receivable – other	35,448	13,754
Prepaid expenses	242,749	54,052
Materials and supplies inventory	267,057	253,996
<b>Total current assets</b>	<b>7,555,633</b>	<b>5,130,142</b>
<b>Non-current assets:</b>		
Investments in joint-powers authority (note 3)	52,510	30,030
Capital assets – not being depreciated (note 4)	9,200,401	8,010,150
Capital assets – being depreciated (note 4)	26,205,472	26,518,581
<b>Total non-current assets</b>	<b>35,458,383</b>	<b>34,558,761</b>
<b>Total assets</b>	<b>43,014,016</b>	<b>39,688,903</b>
<b>Deferred outflows of resources:</b>		
Deferred OPEB outflows (note 7)	5,432	-
Deferred pension outflows (note 8)	929,466	1,253,820
<b>Total deferred outflows of resources</b>	<b>\$ 934,898</b>	<b>1,253,820</b>

Continued on next page

See accompanying notes to the basic financial statements

**San Lorenzo Valley Water District**  
**Statements of Net Position, continued**  
**June 30, 2019 and 2018**

	<b>2019</b>	<b>As Restated (note 9) 2018</b>
<b>Current liabilities:</b>		
Accounts payable and accrued expense	\$ 363,590	384,347
Accrued wages and related payables	243,215	233,296
Unearned revenues – customer deposits	141,871	102,445
Unearned revenues – construction deposits	13,945	15,478
Accrued interest payable	38,209	15,999
Long-term liabilities – due in one year:		
Compensated absences (note 5)	194,131	185,103
Loans payable (note 8)	303,135	245,920
Bonds payable (note 8)	582,031	666,015
Capital lease payable (note 8)	23,256	22,505
<b>Total current liabilities</b>	<u>1,903,383</u>	<u>1,871,108</u>
<b>Non-current liabilities:</b>		
Long-term liabilities – due in more than one year:		
Compensated absences (note 5)	345,122	329,071
Loans payable (note 8)	4,760,158	3,065,715
Bonds payable (note 8)	597,778	1,179,808
Capital lease payable (note 8)	46,763	70,019
Net OPEB liability (note 7)	1,138,893	1,029,266
Net pension liability (note 8)	3,805,659	3,969,598
<b>Total non-current liabilities</b>	<u>10,694,373</u>	<u>9,643,477</u>
<b>Total liabilities</b>	<u>12,597,756</u>	<u>11,514,585</u>
<b>Deferred inflows of resources</b>		
Deferred OPEB inflows (note 7)	-	33,163
Deferred pension inflows (note 8)	123,646	276,001
<b>Total deferred inflows of resources</b>	<u>123,646</u>	<u>309,164</u>
<b>Net position: (note 10)</b>		
Net investment in capital assets	29,092,752	29,278,749
Restricted for debt service	2,231,220	637,205
Unrestricted (deficit)	(96,460)	(796,980)
<b>Total net position</b>	<u>\$ 31,227,512</u>	<u>29,118,974</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, 2019 and 2018**

	<b>2019</b>	<b>As Restated (note 9) 2018</b>
<b>Operating revenues:</b>		
Water consumption sales	\$ 9,917,657	8,983,340
Wastewater service	111,820	100,138
Meter sales, charges, and penalties	99,464	128,305
Other charges and services	1,858	3,581
<b>Total operating revenues</b>	<b>10,130,799</b>	<b>9,215,364</b>
<b>Operating expenses:</b>		
Salaries and benefits	4,865,859	4,840,518
Professional services	1,037,612	1,349,279
Operational	375,948	320,876
Maintenance	153,892	143,714
Facilities	568,165	554,547
General and administrative	339,555	382,857
<b>Total operating expenses</b>	<b>7,341,031</b>	<b>7,591,791</b>
Operating income before overhead absorption	2,789,768	1,623,573
Overhead absorption	146,321	163,697
Operating income before depreciation expense	2,936,089	1,787,270
Depreciation expense	(1,563,805)	(1,640,273)
<b>Operating income</b>	<b>1,372,284</b>	<b>146,997</b>
<b>Non-operating revenues(expenses):</b>		
Property tax	780,378	747,404
Assessment revenues	350,694	349,130
Investment earnings	86,733	23,040
Change in investment in Santa Margarita Groundwater		
Agency	(123,148)	(39,970)
Rental revenue	44,042	56,647
Interest expense	(153,662)	(150,507)
Loss on disposition of capital assets	(320,408)	-
<b>Total non-operating revenues, net</b>	<b>664,629</b>	<b>985,744</b>
<b>Net income before capital contributions</b>	<b>2,036,913</b>	<b>1,132,741</b>
<b>Capital contributions:</b>		
Capital grants – other governments	71,625	434,908
<b>Total capital contributions</b>	<b>71,625</b>	<b>434,908</b>
<b>Changes in net position</b>	<b>2,108,538</b>	<b>1,567,649</b>
<b>Net position, beginning of period, as previously stated</b>	<b>29,118,974</b>	<b>28,255,435</b>
<b>Prior period adjustment (note 9)</b>	<b>-</b>	<b>(704,110)</b>
<b>Net position, beginning of period, as restated</b>	<b>29,118,974</b>	<b>27,551,325</b>
<b>Net position, end of period</b>	<b>\$ 31,227,512</b>	<b>29,118,974</b>

See accompanying notes to the basic financial statements

**San Lorenzo Valley Water District**  
**Statements of Cash Flows**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

	<b>2019</b>	<b>As Restated (note 9) 2018</b>
<b>Cash flows from operating activities:</b>		
Cash receipts from customers for sales and services	\$ 10,104,764	8,839,509
Cash paid to employees for salaries and wages	(4,830,861)	(4,783,658)
Cash paid to vendors for materials and services	(2,470,416)	(2,285,669)
<b>Net cash provided by operating activities</b>	<b>2,803,487</b>	<b>1,770,182</b>
<b>Cash flows from non-capital financing activities:</b>		
Proceeds from property taxes/assessments	1,131,834	1,096,455
Proceeds from rental revenue	44,042	56,647
<b>Net cash provided by non-capital financing activities</b>	<b>1,175,876</b>	<b>1,153,102</b>
<b>Cash flows from capital and related financing activities:</b>		
Acquisition and construction of capital assets	(2,761,355)	(1,395,908)
Proceeds from capital contributions	71,625	434,908
Proceeds from long-term debt	2,000,000	-
Principal paid on long-term debt	(936,861)	(971,417)
Interest paid on long-term debt	(131,452)	(156,132)
<b>Net cash used in capital and related financing activities</b>	<b>(1,758,043)</b>	<b>(2,088,549)</b>
<b>Cash flows from investing activities:</b>		
Proceeds from sale of investments	(214,416)	(559,069)
Santa Margarita Groundwater Agency contribution	(145,628)	(70,000)
Proceeds from investment earnings	81,246	23,040
<b>Net cash used in investing activities</b>	<b>(278,798)</b>	<b>(606,029)</b>
<b>Net increase in cash and cash equivalents</b>	<b>1,942,522</b>	<b>228,706</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>1,332,049</b>	<b>1,103,343</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 3,274,571</b>	<b>1,332,049</b>
<b>Reconciliation of cash and cash equivalents to statements of net position:</b>		
Cash and cash equivalents	\$ 1,043,351	694,844
Cash and cash equivalents – restricted	2,231,220	637,205
<b>Total cash and cash equivalents</b>	<b>\$ 3,274,571</b>	<b>1,332,049</b>

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, 2019 and 2018**

	<u>2019</u>	<u>As Restated (note 9) 2018</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income	\$ <u>1,372,284</u>	<u>146,997</u>
<b>Adjustments to reconcile operating income to net cash provided by operating activities:</b>		
Depreciation and amortization	1,563,805	1,640,273
<b>Change 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	(40,376)	(385,729)
Accounts receivable – settlement agreement	-	46,392
Accounts receivable – other	(21,694)	(246)
Prepaid expenses	(188,697)	(53,892)
Materials and supplies inventory	(13,061)	(20,601)
Deferred outflows of resources	318,922	(275,860)
Increase(decrease) in liabilities and deferred inflows of resources:		
Accounts payable and accrued expense	(20,757)	54,744
Accrued wages and related payables	9,919	16,991
Unearned revenues – customer deposits	39,426	47,453
Unearned revenues – construction deposits	(1,533)	(80,144)
Compensated absences	25,079	39,869
Net OPEB liability	109,627	91,446
Net pension liability	(163,939)	458,429
Deferred inflows of resources	<u>(185,518)</u>	<u>44,060</u>
<b>Total adjustments</b>	<u>1,431,203</u>	<u>1,623,185</u>
<b>Net cash provided by operating activities</b>	<b>\$ <u><u>2,803,487</u></u></b>	<b><u><u>1,770,182</u></u></b>

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, 2019 and 2018**

**Note 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 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 serving four-year terms. The District provides water and sewer services to approximately 7,900 customers within its service area.

**B. Basis of Accounting and Measurement Focus**

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

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

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

**C. Financial Reporting**

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

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

In November 2016, the GASB issued Statement No. 83 – *Certain Asset Retirement Obligations*. This Statement (1) addresses accounting and financial reporting for certain asset retirement obligations (AROs), (2) establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs, (3) requires that recognition occur when the liability is both incurred and reasonably estimable, (4) requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred, (5) requires the current value of a government's AROs to be adjusted for the effects of general inflation or deflation at least annually, and (6) requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

**San Lorenzo Valley Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

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

**C. Financial Reporting, continued**

In April 2018, the GASB issued Statement No. 88 – *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

**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, and deferred inflows, and disclosures of contingent assets, deferred outflows, liabilities, and deferred inflows 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.

**San Lorenzo Valley Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

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

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

**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 assets 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 default, loss severity, and other assumptions that are internally generated and cannot be observed in the market.

**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, pipes, 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 those items are withdrawn from inventory or consumed.



**San Lorenzo Valley Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

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

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

**8. Prepaid Expenses**

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

**9. Capital Assets**

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

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

**10. Deferred Outflows of Resources**

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

**11. 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.

**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. Deferred Inflows of Resources**

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

**San Lorenzo Valley Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

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

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

**14. Pensions**

For the purpose of measuring the net pension liability, 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 years 2019 and 2018, the following timeframes are used:

- Valuation Dates:                      June 30, 2017 and 2016
- Measurement Dates:                June 30, 2018 and 2017
- Measurement Periods:              July 1, 2017 to June 30, 2018; and July 1, 2016 to June 30, 2017

**15. Water and Sewer Sales**

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

**16. Capital Contributions**

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

**17. 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** – 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** – 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** – consists of net position that does not meet the definition of *restricted* or *net investment in capital assets* components of net position.

**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.

**San Lorenzo Valley Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

**Note 2 Cash and Investments**

Cash and investments as of June 30, are classified as follows:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 1,043,351	694,844
Cash and cash equivalents – restricted	2,231,220	637,205
Investments – current	<u>2,276,600</u>	<u>2,062,184</u>
Total cash and investments	<u>\$ 5,551,171</u>	<u>3,394,233</u>

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

	<u>2019</u>	<u>2018</u>
Cash on hand	\$ 321	350
Deposits with financial institutions	184,492	691,069
Investments	<u>5,366,358</u>	<u>2,702,814</u>
Total cash and investments	<u>\$ 5,551,171</u>	<u>3,394,233</u>

As of June 30, the District’s authorized deposits had the following average days to maturity:

	<u>2019</u>	<u>2018</u>
Deposits held with the California Local Agency Investment Fund	173 days	193 days
Deposits held with the County of Santa Cruz Investment Fund	237 days	320 days

As of June 30, 2019, the District’s investment was allocated as follows:

<u>Investment Type</u>	<u>2019</u>	<u>Percent Allocation</u>
Local Agency Investment Fund	\$ 858,538	16.00 %
County of Santa Cruz Investment Fund	4,330,179	80.69
Held by bond trustee:		
Money market funds	<u>177,641</u>	<u>3.31</u>
Total	<u>\$ 5,366,358</u>	<u>100.00 %</u>

**San Lorenzo Valley Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

**Note 2 Cash and Investments, continued**

As of June 30, 2018, the District's investment was allocated as follows:

<u>Investment Type</u>	<u>2018</u>	<u>Percent Allocation</u>
Local Agency Investment Fund	\$ 3,424	0.13 %
County of Santa Cruz Investment Fund	2,472,511	91.48
Held by bond trustee:		
Money market funds	226,879	8.39
Total	\$ 2,702,814	100.00 %

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

The following table 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. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the District; rather, the table addresses the general provisions of the California Government Code or the District's investment policy.

<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

***Custodial Credit Risk***

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits, or will not be able to recover collateral securities that are in the possession of an outside party.

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (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. 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).

**San Lorenzo Valley Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

**Note 2     Cash and Investments, continued**

***Custodial Credit Risk, continued***

The California Government Code and the District's investment policy do not contain legal and policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provisions 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. As of June 30, 2019 and 2018, bank balances are federally insured up to \$250,000. The remaining balance is collateralized in accordance with the Code; however, the collateralized securities are not held in the District's name.

***Investment in State Investment Pool***

The District is a voluntary participant in the California 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 fair value factor for LAIF is reported on a quarterly basis. 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 \$1,000.
- 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 of 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 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, 2019 and 2018**

**Note 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.

As of June 30, 2019, the District's investments are scheduled to mature as follows:

<u>Investment Type</u>	<u>Total</u>	<u>Remaining Maturity (12 Months or Less)</u>
Local Agency Investment Fund	\$ 858,538	858,538
County of Santa Cruz Investment Fund	4,330,179	4,330,179
Held by bond trustee:		
Money market funds	<u>177,641</u>	<u>177,641</u>
Total	<u>\$ 5,366,358</u>	<u>5,366,358</u>

As of June 30, 2018, the District's investments are scheduled to mature as follows:

<u>Investment Type</u>	<u>Total</u>	<u>Remaining Maturity (12 Months or Less)</u>
Local Agency Investment Fund	\$ 3,424	3,424
County of Santa Cruz Investment Fund	2,472,511	2,472,511
Held by bond trustee:		
Money market funds	<u>226,879</u>	<u>226,879</u>
Total	<u>\$ 2,702,814</u>	<u>2,702,814</u>

***Credit Risk***

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of 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 the year ended for each investment type.

**San Lorenzo Valley Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

**Note 2 Cash and Investments, continued**

***Credit Risk, continued***

Credit ratings as of June 30, 2019, were as follows:

<b>Investment Type</b>	<b>Total</b>	<b>Minimum Legal Rating</b>	<b>Exempt From Disclosure</b>	<b>Rating At Year End Not Rated)</b>
Local Agency Investment Fund	\$ 858,538	N/A	-	858,538
County of Santa Cruz Investment Fund	4,330,179	N/A	-	4,330,179
Held by bond trustee:				
Money market funds	177,641	AAA	177,641	-
Total	<u>\$ 5,366,358</u>		<u>177,641</u>	<u>5,188,717</u>

Credit ratings as of June 30, 2018, were as follows:

<b>Investment Type</b>	<b>Total</b>	<b>Minimum Legal Rating</b>	<b>Exempt From Disclosure</b>	<b>Rating At Year End Not Rated)</b>
Local Agency Investment Fund	\$ 3,424	N/A	-	3,424
County of Santa Cruz Investment Fund	2,472,511	N/A	-	2,472,511
Held by bond trustee:				
Money market funds	226,879	AAA	226,879	-
Total	<u>\$ 2,702,814</u>		<u>226,879</u>	<u>2,475,935</u>

***Concentration of Credit Risk***

The District's investment policy contains no limitations on the amount that can be invested in any one issuer 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, 2019 and 2018.

**Note 3 Investment in Joint Powers Authority**

Jointly governed organizations are legal entities or other organizations that result from a contractual arrangement and that are owned operated, or governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain an ongoing financial interest or ongoing financial responsibility as permitted by the California Government Code.

As of June 30, 2019, the District's participation in these jointly governed organizations consists of the following balance:

	<b>2018</b>	<b>Additions</b>	<b>Deletion</b>	<b>2019</b>
Santa Margarita Groundwater Agency	<u>\$ 30,030</u>	<u>145,628</u>	<u>(123,148)</u>	<u>52,510</u>

**San Lorenzo Valley Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

**Note 3 Investment in Joint Powers Authority, continued**

As of June 30, 2018, the District's participation in these jointly governed organizations consists of the following balance:

	<u>2017</u>	<u>Additions</u>	<u>Deletion</u>	<u>2018</u>
Santa Margarita Groundwater Agency	\$ -	70,000	(39,970)	30,030

The District has recorded its interest in the joint-powers authorities under the equity method of accounting whereby, the District's equity in the joint-powers authorities is equal to the original cost of assets contributed plus their pro rata share of the net position of the joint-powers authorities.

**Note 4 Capital Assets**

Change in capital assets for 2019, was as follows:

	<u>Balance 2018</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 2019</u>
Non-depreciable assets:				
Land	\$ 5,107,583	-	-	5,107,583
Construction-in process	2,902,567	2,761,355	(1,571,104)	4,092,818
Total non-depreciable assets	8,010,150	2,761,355	(1,571,104)	9,200,401
Depreciable assets:				
Water transmission and distribution	51,048,590	1,117,754	(1,202,677)	50,963,667
Wastewater system	1,447,521	-	(19,418)	1,428,103
Buildings and structures	2,943,834	27,224	(41,861)	2,929,197
Transportation equipment	1,058,359	177,850	(56,165)	1,180,044
Field and shop equipment	1,263,818	248,276	(294,245)	1,217,849
Office equipment	731,686	-	(236,720)	494,966
Total depreciable assets	58,493,808	1,571,104	(1,851,086)	58,213,826
Accumulated depreciation:				
Water transmission and distribution	(27,084,783)	(1,208,088)	899,863	(27,393,008)
Wastewater system	(1,073,146)	(42,001)	15,906	(1,099,241)
Buildings and structures	(1,537,785)	(111,872)	34,301	(1,615,356)
Transportation equipment	(879,252)	(69,875)	56,165	(892,962)
Field and shop equipment	(816,702)	(78,357)	290,825	(604,234)
Office equipment	(583,559)	(53,612)	233,618	(403,553)
Total accumulated depreciation	(31,975,227)	(1,563,805)	1,530,678	(32,008,354)
Total depreciable assets, net	26,518,581	7,299	(320,408)	26,205,472
Total capital assets, net	\$ 34,528,731			35,405,873

In fiscal year 2019, total depreciation expense of \$1,563,805 was charged to the District's water and sewer funds in the amount of \$1,521,804 and \$42,001, respectively.



**San Lorenzo Valley Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

**Note 4 Capital Assets, continued**

	<u>Balance 2017</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance 2018</u>
Non-depreciable assets:				
Land	\$ 5,107,583	-	-	5,107,583
Construction-in process	1,916,654	1,395,908	(409,995)	2,902,567
Total non-depreciable assets	<u>7,024,237</u>	<u>1,395,908</u>	<u>(409,995)</u>	<u>8,010,150</u>
Depreciable assets:				
Water transmission and distribution	50,723,488	325,102	-	51,048,590
Wastewater system	1,447,521	-	-	1,447,521
Buildings and structures	2,943,834	-	-	2,943,834
Transportation equipment	1,029,001	29,358	-	1,058,359
Field and shop equipment	1,208,283	55,535	-	1,263,818
Office equipment	731,686	-	-	731,686
Total depreciable assets	<u>58,083,813</u>	<u>409,995</u>	<u>-</u>	<u>58,493,808</u>
Accumulated depreciation:				
Water transmission and distribution	(25,797,671)	(1,287,112)	-	(27,084,783)
Wastewater system	(1,030,790)	(42,356)	-	(1,073,146)
Buildings and structures	(1,428,365)	(109,420)	-	(1,537,785)
Transportation equipment	(813,697)	(65,555)	-	(879,252)
Field and shop equipment	(735,984)	(80,718)	-	(816,702)
Office equipment	(528,447)	(55,112)	-	(583,559)
Total accumulated depreciation	<u>(30,334,954)</u>	<u>(1,640,273)</u>	<u>-</u>	<u>(31,975,227)</u>
Total depreciable assets, net	<u>27,748,859</u>	<u>(1,230,278)</u>	<u>-</u>	<u>26,518,581</u>
Total capital assets, net	\$ <u>34,773,096</u>			<u>34,528,731</u>

In fiscal year 2018, total depreciation expense of \$1,640,273 was charged to the District's water and sewer funds in the amount of \$1,597,917 and \$42,356, respectively.

**San Lorenzo Valley Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

**Note 4 Capital Assets, continued**

***Construction-In-Process***

The District has been involved in various construction projects throughout the year. Once completed, projects are capitalized and depreciated over the life of the asset. The projects that comprise the construction-in-process balances at June 30, are as follows:

	<u>2019</u>	<u>2018</u>
Admin Campus (inactive)	\$ 1,015,535	1,015,535
Probation Tank	1,132,139	379,231
Fish Ladder	359,784	359,784
Felton Meter Change Out Project	-	219,863
USDA Project	-	118,442
Lyon Water Treatment Plant Access Road Repair	126,373	107,382
Combine Springs Raw Water Line	-	95,289
Paso Well Replacement	658,558	88,548
Swim Tank	181,609	86,440
Bear Creek Wastewater	87,049	62,472
Fall Creek Intake	129,670	62,354
Lyon Pipeline Project	150,902	-
District Two Way Radio System	-	59,626
Highway 9/Western Ave 6" Main Repair	-	57,938
Blue Tank Replacemnt Project	-	50,648
Various individual projects under \$50,000	<u>251,199</u>	<u>139,015</u>
Construction-in-process	<u>\$ 4,092,818</u>	<u>2,902,567</u>

**Note 5 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 Statements of Net Position, and will be liquidated through the water fund.

Change in compensated absences for the year ended June 30, 2019, are as follows:

<u>Balance</u> <u>2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>2019</u>	<u>Due within</u> <u>One Year</u>	<u>Due in more</u> <u>than one year</u>
\$ 514,174	432,625	(407,546)	539,253	194,131	345,122

Change in compensated absences for the year ended June 30, 2018, are as follows:

<u>Balance</u> <u>2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>2018</u>	<u>Current</u> <u>Portion</u>	<u>Due in more</u> <u>than one year</u>
\$ 474,305	387,159	(347,290)	514,174	185,103	329,071

**San Lorenzo Valley Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

**Note 6 Long-Term Debt**

Changes in long-term debt for the year ended June 30, 2019, are as follows:

	<u>Balance 2018</u>	<u>Transfer/ Additions</u>	<u>Transfer/ Payments</u>	<u>Balance 2019</u>
Loans payable:				
Felton Safe Drinking Water Loan	\$ 1,502,664	-	(151,371)	1,351,293
State of California Revolving Fund Loan	1,527,028	-	(65,407)	1,461,621
Capital One Loan	-	2,000,000	-	2,000,000
Government Obligation Contract	281,943	-	(31,564)	250,379
Total loans payable	<u>3,311,635</u>	<u>2,000,000</u>	<u>(248,342)</u>	<u>5,063,293</u>
Bonds payable				
Bank of Nevada Refunding Bonds	1,845,823	-	(666,014)	1,179,809
Total bonds payable	<u>1,845,823</u>	<u>-</u>	<u>(666,014)</u>	<u>1,179,809</u>
Obligation under capital lease:				
Capital lease payable	92,524	-	(22,505)	70,019
Total capital lease payable	<u>92,524</u>	<u>-</u>	<u>(22,505)</u>	<u>70,019</u>
Total long-term debt payable	5,249,982	<u>2,000,000</u>	<u>(936,861)</u>	6,313,121
Less: current portion	<u>(936,861)</u>			<u>(908,422)</u>
Non-current portion	<u>\$ 4,313,121</u>			<u>5,404,699</u>

Changes in long-term debt for the year ended June 30, 2018, are as follows:

	<u>Balance 2017</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance 2018</u>
Loans payable:				
Felton Safe Drinking Water Loan	\$ 1,650,440	-	(147,776)	1,502,664
State of California Revolving Fund Loan	1,590,784	-	(63,756)	1,527,028
Government Obligation Contract	310,019	-	(28,076)	281,943
Total loans payable	<u>3,551,243</u>	<u>-</u>	<u>(239,608)</u>	<u>3,311,635</u>
Bonds payable				
Bank of Nevada Refunding Bonds	2,494,854	-	(649,031)	1,845,823
Water Bond of 1964 - Third Division	46,000	-	(46,000)	-
Water Bond of 1964 - Fourth Division	15,000	-	(15,000)	-
Total bonds payable	<u>2,555,854</u>	<u>-</u>	<u>(710,031)</u>	<u>1,845,823</u>
Obligation under capital lease:				
Capital lease payable	114,302	-	(21,778)	92,524
Total capital lease payable	<u>114,302</u>	<u>-</u>	<u>(21,778)</u>	<u>92,524</u>
Total long-term debt payable	6,221,399	<u>-</u>	<u>(971,417)</u>	5,249,982
Less: current portion	<u>(971,417)</u>			<u>(934,440)</u>
Non-current portion	<u>\$ 5,249,982</u>			<u>4,315,542</u>

**San Lorenzo Valley Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

**Note 6 Long-Term Debt, continued**

***Felton Safe Drinking Water Loan***

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

Annual debt service requirements for the loan are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 155,010	31,788	186,798
2021	158,863	27,935	186,798
2022	162,686	24,112	186,798
2023	166,642	20,155	186,797
2024	170,674	16,122	186,796
2025-2027	<u>537,418</u>	<u>22,973</u>	<u>560,391</u>
Total	1,351,293	<u>143,085</u>	<u>1,494,378</u>
Less: current	<u>(155,010)</u>		
Non-current	\$ <u>1,196,283</u>		

***State of California Revolving Fund Loan***

On June 30, 2014, the District entered into a grant funding agreement with the 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 2.60%, maturing on January 1, 2037. The construction was for a mainline improvement and extension, in part to connect to the Olympia Mutual service area. A portion of this loan is funded by assessment district fees of the Olympia Mutual Assessment District. The District makes semi-annual payments of \$52,116, including principal and interest on July 1<sup>st</sup> and January 1<sup>st</sup>.

Annual debt service requirements for the loan are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 67,097	37,135	104,232
2021	68,833	35,400	104,233
2022	70,613	33,619	104,232
2023	72,440	31,793	104,233
2024	74,313	29,919	104,232
2025-2029	401,413	119,751	521,164
2030-2034	456,082	65,082	521,164
2035-2037	<u>250,830</u>	<u>9,752</u>	<u>260,582</u>
Total	1,461,621	<u>362,451</u>	<u>1,824,072</u>
Less: current	<u>(67,097)</u>		
Non-current	\$ <u>1,394,524</u>		

**San Lorenzo Valley Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

**Note 6 Long-Term Debt, continued**

***Capital One Loan***

On December 12, 2018, the District entered into a loan agreement with Capital One Public Funding, LLC to finance the construction, acquisitions, and improvements associated with the District's water storage facilities known as the Probation Tank, servicing the Scotts Valley area. The terms of the agreement state an interest rate of 4.15% and maturing on September 1, 2038. The District makes semi-annual payments of \$75,989, including principal and interest on September 1<sup>st</sup> and March 1<sup>st</sup>.

Annual debt service requirements for the loan are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 50,716	77,146	127,862
2021	71,820	74,009	145,829
2022	74,831	70,739	145,570
2023	77,969	67,333	145,302
2024	81,238	63,784	145,022
2025-2029	460,236	260,248	720,484
2030-2034	565,164	146,336	711,500
2035-2039	618,026	173,707	791,733
Total	2,000,000	933,302	2,933,302
Current	(50,716)		
Non-current	\$ 1,949,284		

***Government Obligation Contract***

On November 7, 2016, the District entered into a loan agreement with NBH Bank to finance the installation of the solar electric system in three different locations (as noted in Exhibit B of the agreement) at a rate of 3.67%, maturing on November 15, 2026. The District makes monthly payments of \$3,250, including principal and interest.

Annual debt service requirements for the loan are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 30,312	8,682	38,994
2021	31,443	7,551	38,994
2022	32,617	6,377	38,994
2023	33,834	5,160	38,994
2024	35,097	3,897	38,994
2025-2027	87,076	3,914	90,990
Total	250,379	35,581	285,960
Less: current	(30,312)		
Non-current	\$ 220,067		

**San Lorenzo Valley Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

**Note 6 Long-Term Debt, continued**

***Bank of Nevada Refunding Bonds***

On March 22, 2012, the District entered into a refunding bond agreement with the 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.

Annual debt service requirements for the bond are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 582,031	26,267	608,298
2021	494,531	12,354	506,885
2022	<u>103,247</u>	<u>1,345</u>	<u>104,592</u>
Total	1,179,809	<u>39,966</u>	<u>1,219,775</u>
Less: current	<u>(582,031)</u>		
Non-current	\$ <u>597,778</u>		

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

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. The Water Bond of 1964 – Third and Fourth Division were paid in full as of June 30, 2018.

***Capital Lease***

On May 31, 2017, the District entered into a municipal lease purchase agreement (agreement) with Leasource Financial Services, Inc to purchase the three vehicles (lease asset). The agreement has a bargain purchase option, where the District has the option to purchase the lease asset following the expiration of the lease at below market rate. Per Exhibit E of the agreement, the value at the end of the lease term is zero. The District makes monthly payments of \$2,101, including principal and interest, and matures on May 31, 2022.

Annual lease payments are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	23,256	1,953	25,209
2021	24,031	1,177	25,208
2022	<u>22,732</u>	<u>375</u>	<u>23,107</u>
Total	70,019	<u>3,505</u>	<u>73,524</u>
Less: current	<u>(23,256)</u>		
Non-current	\$ <u>46,763</u>		

**San Lorenzo Valley Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

**Note 7     Other Post-Employment Benefits**

***Plan Description***

The District's defined benefit Other Post-Employment Benefit (OPEB) Plan (Plan) provides OPEB for all permanent and vested full-time employees. The Plan is a single-employer defined benefit OPEB plan administered by the District. The District's Board has the authority to establish and amend the benefit terms and financing requirements of the Plan. The District sponsors healthcare coverage through the CalPERS Medical and Health Program, under the California Public Employees Medical and Hospital Care Act (PEMCHA), commonly referred to as PERS Health. PEMCHA provides health insurance through a variety of Health Maintenance Organization (HMO) and Preferred Provider Organization (PPO) options. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

***Benefits Provided***

The District provides a capped benefit, which varies based on years of service and employee classification. Classified employees who retire directly from the District are eligible to receive a monthly benefit up to \$325, if having over 25 years District service. Classified employees with 15-24 years of service receive a monthly benefit up to \$275. Classified employees with under 15 years of service receive a monthly benefit up to \$225. Management employees who retire directly from the District are eligible to receive a monthly benefit up to \$275, if having over 25 years of District service. Management employees with 15-24 years of service receive a monthly benefit up to \$225. Management employees with under 15 years of service receive a monthly benefit up to \$175. Current retirees are subject to caps ranging from \$150 per month to \$275 per month. One retiree receives the full premium. The District also pays the PEMHCA administrative fee (0.23% for fiscal year 2019).

***Employee Covered by Benefit Terms***

At June 30, the following employees were covered by the benefit terms:

	<u>2019</u>	<u>2018</u>
Participating active employees	33	33
Inactive employees or beneficiaries currently receiving benefit payments	<u>5</u>	<u>5</u>
Total plan membership	<u><u>38</u></u>	<u><u>38</u></u>

***Total OPEB Liability***

The District's total OPEB liability of \$1,138,893 and \$1,029,266 was measured as of June 30, 2019 and 2018, respectively, and was determined by an actuarial valuation as July 1, 2017.

**San Lorenzo Valley Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

**Note 7     Other Post-Employment Benefits, continued**

***Actuarial Assumptions and Other Inputs***

The total OPEB liability in the July 1, 2017, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	3.00%
Salary increases	3.00%
Discount rate	2019: 3.13% 2018: 3.62%
Healthcare cost trend rates	5.00% for 2018 and later years
Retirees share of benefit-related cost	See benefit provisions

The discount rate was based on the Municipal Bond 20 Year High Grade Rate Index.

Pre-retirement mortality rates were based on the RP-2014 Employee Mortality Table for Males or Females, as appropriate, without projection. Post-retirement mortality rates were based on the RP-2014 Health Annuitant Mortality Table for Males or Females, as appropriate, without projection.

***Changes in the Total OPEB Liability***

	<u><b>2019</b></u>	<u><b>2018</b></u>
Balance at beginning of year	\$ <u>1,029,266</u>	<u>996,281</u>
Changes during the year:		
Service cost	66,682	69,318
Interest cost	36,676	30,730
Contributions - employer	(32,501)	(29,229)
Changes in assumptions	<u>38,770</u>	<u>(37,834)</u>
Net changes	<u>109,627</u>	<u>32,985</u>
Balance at end of year	\$ <u><u>1,138,893</u></u>	<u><u>1,029,266</u></u>

No changes of benefit terms were noted for the years ended June 30, 2019 and 2018.

Change of assumptions and other inputs reflect a change in the discount rate from 3.62% in 2018 to 3.13% in 2019.



**San Lorenzo Valley Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

**Note 7     Other Post-Employment Benefits, continued**

***Sensitivity of the Total OPEB Liability to Changes in the Discount Rate***

The following presents the total OPEB liability of the District, as well as what the District's total OPEB 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 as of June 30, 2019:

	<b>Discount Rate - 1% 2.13%</b>	<b>Current Discount Rate 3.13%</b>	<b>Discount Rate + 1% 4.13%</b>
Net OPEB Liability	\$ <u>1,225,182</u>	<u>1,138,893</u>	<u>1,062,064</u>

The following presents the total OPEB liability of the District, as well as what the District's total OPEB 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 as of June 30, 2018:

	<b>Discount Rate - 1% 2.62%</b>	<b>Current Discount Rate 3.62%</b>	<b>Discount Rate + 1% 4.62%</b>
Net OPEB Liability	\$ <u>1,108,833</u>	<u>1,029,266</u>	<u>958,442</u>

***Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates***

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trends rates as of June 30, 2019:

	<b>1% Decrease (4.00%)</b>	<b>Current (5.00%)</b>	<b>1% Increase (6.00%)</b>
Net OPEB Liability	\$ <u>1,025,729</u>	<u>1,138,893</u>	<u>1,273,538</u>

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trends rates as of June 30, 2018:

	<b>1% Decrease (4.00%)</b>	<b>Current (5.00%)</b>	<b>1% Increase (6.00%)</b>
Net OPEB Liability	\$ <u>936,550</u>	<u>1,029,266</u>	<u>1,138,738</u>

**San Lorenzo Valley Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

**Note 7 Other Post-Employment Benefits, continued**

***OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB***

***Sensitivity of the Net OPEB Liability to Changes in the Discount Rate***

For the years ended June 30, 2019 and 2018, the District recognized OPEB expense of \$103,533 and \$95,377, respectively. As of June 30, 2019 and 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Description	2019		2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 5,432	-	-	(33,136)
Total	\$ 5,432	-	-	(33,136)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30,	Deferred Inflows of Resources
2020	\$ 175
2021	175
2022	175
2023	175
2024	175
Thereafter	4,557

**Note 8 Defined Benefit Pension Plan**

***Plan Descriptions***

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Pension Plan (Plan or PERF C) administered by the California Public Employees' Retirement System (CalPERS). The Plan consists of a miscellaneous risk pool and a safety risk pool, which are comprised of individual employer miscellaneous and safety plans, respectively. Benefit provisions under the Plan are established by State statute and District's resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions, and membership information that can be found on the CalPERS website or may be obtained from their executive office at 400 P Street, Sacramento, California 95814.

**San Lorenzo Valley Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

**Note 8 Defined Benefit Pension Plan, continued**

***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, 2019 and 2018, are summarized as follows:

	<b>2019</b>		<b>2018</b>	
	<b>Classic</b>	<b>PEPRA</b>	<b>Classic</b>	<b>PEPRA</b>
Hire date	Prior to January 1,	On or after January 1,	Prior to January 1,	On or after January 1,
Benefit formula	2.5% @ 55	2.0% @ 62	2.5% @ 55	2.0% @ 62
Benefit vesting schedule	5 years of service		5 years of service	
Benefit payments	Monthly for life		Monthly for life	
Retirement age	50 - 55	52 - 67	50 - 55	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	1.0% to 2.5%	2.0% to 2.5%	1.0% to 2.5%
Required employee contribution rates	7.00%	6.25%	7.00%	6.25%
Required employer contribution rates	8.89%	6.84%	8.42%	6.55%

***Contributions***

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1, following notice of 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 fiscal years ended June 30, 2019 and 2018, the contributions recognized as part of pension expense for the Plan were as follows:

	<b>2019</b>	<b>2018</b>
Contributions – employer	\$ <u>427,168</u>	<u>522,774</u>

**San Lorenzo Valley Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

**Note 8     Defined Benefit Pension Plan, continued**

***Net Pension Liability***

As of June 30, 2019 and 2018, the District reported net pension liabilities for its proportionate share of the net pension liability of the Plan as follows:

	<u>2019</u>	<u>2018</u>
Proportionate share of net pension liability \$	<u>3,805,659</u>	<u>3,969,598</u>

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, 2019 and 2018, the net pension liability of the Plan is measured as of June 30, 2018 and 2017 (the measurement dates), respectively. 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, 2017 and 2016 (the valuation dates), rolled forward to June 30, 2018 and 2017, respectively, using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the pension liability for the Plan as of the measurement dates June 30, 2018 and 2017, was as follows:

	<u>Miscellaneous</u>
Proportion – June 30, 2016	0.04058 %
Change in proportion	<u>(0.00055)</u>
Proportion – June 30, 2017	0.04003
Change in proportion	<u>(0.00053)</u>
Proportion – June 30, 2018	<u>0.03949 %</u>

***Deferred Pension Outflows (Inflows) of Resources***

For the years ended June 30, 2019 and 2018, the District recognized pension expense of \$488,394 and \$222,695, respectively.

**San Lorenzo Valley Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

**Note 8 Defined Benefit Pension Plan, continued**

***Deferred Pension Outflows (Inflows) of Resources, continued***

As of June 30, 2019 and 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	2019		2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 486,796	-	427,195	-
Differences between actual and expected experience	96,328	-	-	(77,212)
Changes in assumptions	327,527	-	664,048	-
Net differences between projected and actual earnings on plan investments	18,815	-	162,577	
Adjustment due to differences in proportions and difference between actual and proportionate share of contributions	-	(123,646)	-	(198,789)
Total	\$ 929,466	(123,646)	1,253,820	(276,001)

As of June 30, 2019 and 2018, the District reported \$486,796 and \$427,195, respectively, as deferred outflows of resources related to contributions subsequent to the measurement date. Pension contributions subsequent to the measurement date for the year ended June 30, 2019, will be recognized as a reduction of the net pension liability for the year ended June 30, 2020. Pension contributions subsequent to the measurement date for the year ended June 30, 2018, will be recognized as a reduction of the net pension liability for the year ended June 30, 2019.

As of June 30, 2019, other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ending June 30:	Deferred Outflows/ (Inflows) of Resources
2020	\$ 303,099
2021	177,163
2022	(127,009)
2023	(34,229)

**San Lorenzo Valley Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

**Note 8     Defined Benefit Pension Plan, continued**

***Actuarial Assumptions***

The total pension liabilities in the June 30, 2017 and 2016, actuarial valuations were determined using the following actuarial assumptions and methods:

Valuation date	2019: June 30, 2017 2018: June 30, 2016
Measurement date	2019: June 30, 2018 2018: June 30, 2017
Actuarial cost method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial assumptions:	
Discount rate	7.15%
Inflation	2019: 2.50% 2018: 2.75%
Salary increases	Varies by Entry Age and Service
Mortality rate table*	Derived using CalPERS membership data
Period upon which actuarial experience survey assumptions were based	2019: 1997-2015 2018: 1997-2011
Post retirement benefit increase	2019: Contract COLA up to 2.50% until PPPA floor on purchasing power applies; 2.55% thereafter 2018: Contract COLA up to 2.75% until PPPA floor on purchasing power applies; 2.75% thereafter

\* In 2018, the mortality table used was developed based on CalPERS specific data. The table includes 15 years of mortality improvements using Society of Actuaries 90 percent of scale MP 2016. For more details on this table, please refer to the December 2017, experience study report (based on CalPERS demographic data from 1997 to 2015) available online on the CalPERS website.

In 2017, the mortality table used above was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the April 2014 Experience Study report (based on CalPERS demographic data from 1997 to 2011) available online on the CalPERS website.

***Discount Rate***

The discount rate used to measure the total pension liability as of June 30, 2018, for the PERF C was 7.15%. This discount rate is not adjusted for administrative expenses.

The PERF C fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return for those pension plans' investments were applied to all periods of projected benefit payments to determine the total pension liability.

**San Lorenzo Valley Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

**Note 8 Defined Benefit Pension Plan, continued**

***Discount Rate, continued***

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

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 of the funds' asset classes, expected compound (geometric) returns were calculated over the short term (first 10 years) and the long term (11+ 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 rounded 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 equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

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

The tables below reflect long-term expected real rates of return by asset class. The rates of return were calculated using the capital market assumptions applied to determine the discount rate.

Asset Class	2019			2018		
	Strategic Allocation	Real Return Years 1-10*	Real Return Year 11+**	Strategic Allocation	Real Return Years 1-10*	Real Return Year 11+**
Global Equity	50.00 %	4.80 %	5.38 %	47.00 %	4.90 %	0.54 %
Global Fixed Income	28.00	1.00	2.62	19.00	19.00	2.27
Inflation Sensitive	-	0.77	1.81	6.00	6.00	1.39
Private Equity	8.00	6.30	7.23	12.00	12.00	6.63
Real Estate	13.00	3.75	4.93	11.00	11.00	5.21
Infrastructure and Forestland	-	-	-	3.00	3.00	5.36
Liquidity	1.00	-	(0.92)	2.00	2.00	(0.90)
Total	100.00 %			100.00 %		

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

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

As of June 30, 2019, 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:

	Discount Rate - 1% 6.15%	Current Discount Rate 7.15%	Discount Rate + 1% 8.15%
District's Net Pension Liability	\$ 6,246,603	3,805,659	1,790,700

**San Lorenzo Valley Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

**Note 8     Defined Benefit Pension Plan, continued**

As of June 30, 2018, 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% 6.15%</b>	<b>Current Discount Rate 7.15%</b>	<b>Discount Rate + 1% 8.15%</b>
District's Net Pension Liability	\$ 6,339,173	3,969,598	2,007,073

***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 59 through 60 for the Required Supplementary Information.

**Note 9     Prior Period Adjustment**

The District's net position has been restated for the following:

***Governmental Accounting Standards Board (GASB) Statement No. 75***

In fiscal year 2018, the District implemented GASB Statement No. 75. As a result, the District recognized the net OPEB liability required by GASB Statement No. 75 and removed the net OPEB obligation required by GASB Statement No. 45.

***Joint Powers Authority***

The District's net position has been restated to include the balance and activities of its investment in the Santa Margarita Groundwater Agency as a joint powers authority.



**San Lorenzo Valley Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

**Note 9     Prior Period Adjustment, continued**

The effect of the restatement is summarized as follows:

	<u><b>Net Position</b></u>
Net position at June 30, 2017, as previously stated	\$ <u>28,255,435</u>
Net OPEB Liability - GASB 75 Implementation:	
Effect of adjustment to record net OPEB liability	(996,278)
Effect of adjustment to remove net OPEB liability associated with GASB 45	262,939
Effect of adjustment to record deferred OPEB outflows	<u>29,229</u>
Total adjustment	<u>(704,110)</u>
Net position at July 1, 2017, as restated	<u>27,551,325</u>
Changes in net position at June 30, 2018, as previously stated	1,537,619
Adjustment for investment in JPA at June 30, 2018	<u>30,030</u>
Change in net position at June 30, 2018, as restated	<u>1,567,649</u>
Net position at June 30, 2018, as restated	\$ <u><u>29,118,974</u></u>

**San Lorenzo Valley Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

**Note 10   Net Position**

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

	<u>2019</u>	<u>2018</u>
Net investment in capital assets:		
Capital assets, net	\$ 35,405,873	34,528,731
Loans payable – current	(303,135)	(245,920)
Loans payable – non-current	(4,760,158)	(3,065,715)
Bonds payable – current	(582,031)	(666,015)
Bonds payable – non-current	(597,778)	(1,179,808)
Capital lease payable – current	(23,256)	(22,505)
Capital lease payable – non-current	(46,763)	(70,019)
Total net investment in capital assets	<u>29,092,752</u>	<u>29,278,749</u>
Restricted net position:		
Restricted for debt service	<u>2,231,220</u>	<u>637,205</u>
Total restricted net position	<u>2,231,220</u>	<u>637,205</u>
Unrestricted net position:		
Non-spendable net position		
Materials and supplies inventory	<u>267,057</u>	<u>253,996</u>
Total non-spendable net position	<u>267,057</u>	<u>253,996</u>
Spendable net position designated for the following purpose:		
Assessment reserve fund	<u>587,238</u>	<u>407,174</u>
Spendable net position are designated as follows:		
Unrestricted (deficit)	<u>(957,619)</u>	<u>(1,465,014)</u>
Total unrestricted net position (deficit)	<u>(103,324)</u>	<u>(803,844)</u>
Total net position	<u>\$ 31,220,648</u>	<u>29,112,110</u>

**San Lorenzo Valley Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

**Note 11 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, 2019, the District participated in the liability and property programs of the SDRMA as follows:

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

**(12) 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 have effective dates that may impact future financial presentations.

***Governmental Accounting Standards Board Statement No. 84***

In January 2017, the GASB issued Statement No. 84 – *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

**San Lorenzo Valley Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

**Note 12 Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued**

***Governmental Accounting Standards Board Statement No. 87***

In June 2017, the GASB issued Statement No. 87 – *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

***Governmental Accounting Standards Board Statement No. 89***

In June 2018, the GASB issued Statement No. 89 – *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

***Governmental Accounting Standards Board Statement No. 90***

In August 2018, the GASB issued Statement No. 90 – *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government’s holding of the equity interest meets the definition of an investment.

**San Lorenzo Valley Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

**Note 12 Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued**

***Governmental Accounting Standards Board Statement No. 90, continued***

A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis. 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. 91***

In August 2018, the GASB issued Statement No. 91 – *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures.

This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities.

Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

**San Lorenzo Valley Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

**Note 12 Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued**

*Governmental Accounting Standards Board Statement No. 91, continued*

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged.

**Note 13 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.

**Note 14 Subsequent Event**

Events occurring after June 30, 2019, have been evaluated for possible adjustment to the financial statements or disclosure as of December 5, 2019, which is the date the financial statements were available to be issued.

## **Required Supplementary Information**





**San Lorenzo Valley Water District**  
**Schedules of Changes in Total OPEB Liability and Related Ratios**  
**For the Years Ended June 30, 2019**  
**Last Ten Years\***

**Defined Benefit OPEB Plan**

	<u>2019</u>	<u>2018</u>
Total OPEB liability		
Service cost	\$ 66,682	69,318
Interest	36,676	30,730
Assumption changes	38,770	(37,834)
Benefit payments	<u>(32,501)</u>	<u>(29,229)</u>
Net change in total OPEB liability	109,627	32,985
Total OPEB liability – beginning of year	<u>1,029,266</u>	<u>996,281</u>
Total OPEB liability – end of year	\$ <u>1,138,893</u>	<u>1,029,266</u>
Covered payroll	\$ <u>3,092,118</u>	<u>2,962,700</u>
Total OPEB liability as a percentage of covered payroll	<u>36.83%</u>	<u>34.74%</u>

**Notes to Schedule**

***Benefit changes*** – None noted.

***Changes of assumptions*** – Change of assumptions and other inputs reflect a change in the discount rate from 3.62% in 2018 to 3.13% in 2019.

\* 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 the District's Proportionate Share of the Net Pension Liability**  
**As of June 30, 2019**  
**Last Ten Years\***

**Defined Benefit Pension Plan**

Description	Measurement Dates				
	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
District's proportion of the net pension liability	0.03949%	0.04003%	0.04058%	0.03675%	0.03675%
District's proportionate share of the net pension liability	\$ 3,805,659	3,969,598	3,511,169	2,522,518	2,307,630
District's covered payroll	\$ 2,701,505	2,524,999	2,446,674	2,319,224	1,995,604
District's proportionate share of the net pension liability as a percentage of its covered payroll	140.87%	157.21%	143.51%	108.77%	115.64%
Plan's fiduciary net position as a percentage of the total pension liability	75.26%	76.96%	78.58%	83.20%	83.03%

**Notes:**

**Changes in Benefit Terms** – Public agencies can make changes to their plan provisions, and such changes occur on an ongoing basis. A summary of the plan provisions that were used for a specific plan can be found in the plan's annual valuation report.

**Changes of Assumptions** – In December 2017, the CalPERS Board adopted new mortality assumptions for plans participating in the PERF. The new mortality table was developed from the December 2017 experience study and includes 15 years of projected ongoing mortality improvement using 90% of scale MP 2016 published by the Society of Actuaries. The inflation assumption is reduced from 2.75% to 2.50%.

The assumptions for individual salary increases and overall payroll growth are reduced from 3.00% to 2.75%. These changes will be implemented in two steps commencing in the June 30, 2017 funding valuation. However, for financial reporting purposes, these assumption changes are fully reflected in the results for fiscal year 2018.

In fiscal year 2017, the financial reporting discount rate for the PERF C was lowered from 7.65% to 7.15%. In December 2016, the CalPERS Board approved lowering the funding discount rate used in the PERF C from 7.50% to 7.00%, which is to be phased in over a three-year period (7.50% to 7.375%, 7.375% to 7.25%, and 7.25% to 7.00%) beginning with the June 30, 2016, valuation reports. The funding discount rate includes a 15 basis-point reduction for administrative expenses, and the remaining decrease is consistent with the change in the financial reporting discount rate.

In fiscal year 2015, the financial reporting discount rate was increased from 7.50% to 7.65% resulting from eliminating the 15 basis-point reduction for administrative expenses. The funding discount rate remained at 7.50% during this period and remained adjusted for administrative expenses.

\* 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, 2019**  
**Last Ten Years\***

**Defined Benefit Pension Plan**

<b>Description</b>	<b>Fiscal Years Ended</b>				
	<b>6/30/2019</b>	<b>6/30/2018</b>	<b>6/30/2017</b>	<b>6/30/2016</b>	<b>6/30/2015</b>
Actuarially determined contribution	\$ 486,796	433,466	324,612	282,083	284,005
Contributions in relation to the actuarially determined contribution	<u>(486,796)</u>	<u>(427,195)</u>	<u>(522,774)</u>	<u>(172,110)</u>	<u>(232,831)</u>
Contribution deficiency(excess)	\$ <u>-</u>	<u>6,271</u>	<u>(198,162)</u>	<u>109,973</u>	<u>51,174</u>
District's covered payroll	\$ <u>2,901,753</u>	<u>2,701,505</u>	<u>2,524,999</u>	<u>2,446,674</u>	<u>2,319,224</u>
Contribution's as a percentage of covered payroll	<u>16.78%</u>	<u>15.81%</u>	<u>20.70%</u>	<u>7.03%</u>	<u>10.04%</u>

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

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

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## **Supplemental Information**



**San Lorenzo Valley Water District**  
**Combining Schedules of Net Position**  
**June 30, 2019 and 2018**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>2019</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>2018</u>
<b>Current assets:</b>						
Cash & cash equivalents	\$ 1,043,351	-	1,043,351	694,844	-	694,844
Cash & cash equivalents – restricted	2,231,220	-	2,231,220	637,205	-	637,205
Accrued interest receivable	5,487	-	5,487	-	-	-
Investments	2,276,600	-	2,276,600	2,062,184	-	2,062,184
Accounts receivable – water sales and services, net	1,452,006	-	1,452,006	1,411,630	-	1,411,630
Accounts receivable – property taxes	1,715	-	1,715	2,477	-	2,477
Accounts receivable – other	35,448	-	35,448	13,754	-	13,754
Internal balances	138,032	(138,032)	-	124,678	(124,678)	-
Prepaid expenses	242,405	344	242,749	54,052	-	54,052
Materials and supplies inventory	267,057	-	267,057	253,996	-	253,996
<b>Total current assets</b>	<u>7,693,321</u>	<u>(137,688)</u>	<u>7,555,633</u>	<u>5,254,820</u>	<u>(124,678)</u>	<u>5,130,142</u>
<b>Non-current assets:</b>						
Investments in joint-powers authorities	52,510	-	52,510	30,030	-	30,030
Capital assets – not being depreciated	9,085,139	115,262	9,200,401	7,919,465	90,685	8,010,150
Capital assets – being depreciated	25,876,610	328,862	26,205,472	26,144,206	374,375	26,518,581
<b>Total non-current assets</b>	<u>35,014,259</u>	<u>444,124</u>	<u>35,458,383</u>	<u>34,093,701</u>	<u>465,060</u>	<u>34,558,761</u>
<b>Total assets</b>	<u>42,707,580</u>	<u>306,436</u>	<u>43,014,016</u>	<u>39,348,521</u>	<u>340,382</u>	<u>39,688,903</u>
<b>Deferred outflows of resources</b>						
Deferred OPEB outflows	5,432	-	5,432	-	-	-
Deferred pension outflows	929,466	-	929,466	1,253,820	-	1,253,820
<b>Total deferred outflows of resources</b>	<u>\$ 934,898</u>	<u>-</u>	<u>934,898</u>	<u>1,253,820</u>	<u>-</u>	<u>1,253,820</u>

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**San Lorenzo Valley Water District**  
**Combining Schedules of Net Position, continued**  
**June 30, 2019 and 2018**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>2019</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>2018</u>
<b>Current liabilities:</b>						
Accounts payable and accrued expense	\$ 361,991	1,599	363,590	383,269	1,078	384,347
Accrued wages and related payables	243,215	-	243,215	233,296	-	233,296
Unearned revenues – customer deposits	141,871	-	141,871	102,445	-	102,445
Unearned revenues – construction deposits	13,945	-	13,945	15,478	-	15,478
Accrued interest payable	38,209	-	38,209	15,999	-	15,999
Long-term liabilities – due in one year:						
Compensated absences	194,131	-	194,131	185,103	-	185,103
Loans payable – current	303,135	-	303,135	245,920	-	245,920
Bonds payable – current	582,031	-	582,031	666,015	-	666,015
Capital lease payable – current	23,256	-	23,256	22,505	-	22,505
<b>Total current liabilities</b>	<u>1,901,784</u>	<u>1,599</u>	<u>1,903,383</u>	<u>1,870,030</u>	<u>1,078</u>	<u>1,871,108</u>
<b>Non-current liabilities:</b>						
Long-term liabilities – due in more than one year:						
Compensated absences	345,122	-	345,122	329,071	-	329,071
Loans payable – non-current	4,760,158	-	4,760,158	3,065,715	-	3,065,715
Bonds payable – non-current	597,778	-	597,778	1,179,808	-	1,179,808
Capital lease payable – non-current	46,763	-	46,763	70,019	-	70,019
Net OPEB liability	1,138,893	-	1,138,893	1,029,266	-	1,029,266
Net pension liability	3,805,659	-	3,805,659	3,969,598	-	3,969,598
<b>Total non-current liabilities</b>	<u>10,694,373</u>	<u>-</u>	<u>10,694,373</u>	<u>9,643,477</u>	<u>-</u>	<u>9,643,477</u>
<b>Total liabilities</b>	<u>12,596,157</u>	<u>1,599</u>	<u>12,597,756</u>	<u>11,513,507</u>	<u>1,078</u>	<u>11,514,585</u>
<b>Deferred inflows of resources</b>						
Deferred OPEB inflows	-	-	-	33,163	-	33,163
Deferred pension inflows	123,646	-	123,646	276,001	-	276,001
<b>Total deferred inflows of resources</b>	<u>123,646</u>	<u>-</u>	<u>123,646</u>	<u>309,164</u>	<u>-</u>	<u>309,164</u>
<b>Net position</b>						
Net investment in capital assets	28,648,628	444,124	29,092,752	28,813,689	465,060	29,278,749
Restricted for debt service	2,231,220	-	2,231,220	637,205	-	637,205
Unrestricted (deficit)	42,827	(139,287)	(96,460)	(671,224)	(125,756)	(796,980)
<b>Total net position</b>	<u>\$ 30,922,675</u>	<u>304,837</u>	<u>31,227,512</u>	<u>28,779,670</u>	<u>339,304</u>	<u>29,118,974</u>



**San Lorenzo Valley Water District**  
**Combining Schedules of Revenues, Expenses, and Changes in Net Position**  
**For the Years Ended June 30, 2019 and 2018**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>2019</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>2018</u>
<b>Operating revenues:</b>						
Water consumption sales	\$ 9,917,657	-	9,917,657	8,983,340	-	8,983,340
Wastewater service	-	111,820	111,820	-	100,138	100,138
Meter sales, charges, and penalties	99,464	-	99,464	128,305	-	128,305
Other charges and services	1,858	-	1,858	3,581	-	3,581
<b>Total operating revenues</b>	<u>10,018,979</u>	<u>111,820</u>	<u>10,130,799</u>	<u>9,115,226</u>	<u>100,138</u>	<u>9,215,364</u>
<b>Operating expenses:</b>						
Salaries and benefits	4,817,360	48,499	4,865,859	4,792,722	47,796	4,840,518
Professional services	1,008,868	28,744	1,037,612	1,320,856	28,423	1,349,279
Operational	360,737	15,211	375,948	304,760	16,116	320,876
Maintenance	152,752	1,140	153,892	142,608	1,106	143,714
Facilities	559,080	9,085	568,165	546,163	8,384	554,547
General and administrative	337,948	1,607	339,555	381,119	1,738	382,857
<b>Total operating expenses</b>	<u>7,236,745</u>	<u>104,286</u>	<u>7,341,031</u>	<u>7,488,228</u>	<u>103,563</u>	<u>7,591,791</u>
Operating income before overhead absorption	2,782,234	7,534	2,789,768	1,626,998	(3,425)	1,623,573
Overhead absorption	146,321	-	146,321	163,697	-	163,697
Operating income(loss) before depreciation expense	2,928,555	7,534	2,936,089	1,790,695	(3,425)	1,787,270
Depreciation expense	(1,521,804)	(42,001)	(1,563,805)	(1,597,917)	(42,356)	(1,640,273)
<b>Operating income(loss)</b>	<u>1,406,751</u>	<u>(34,467)</u>	<u>1,372,284</u>	<u>192,778</u>	<u>(45,781)</u>	<u>146,997</u>
<b>Non-operating revenues(expenses):</b>						
Property taxes	780,378	-	780,378	747,404	-	747,404
Assessment revenues	350,694	-	350,694	349,130	-	349,130
Investment earnings	86,733	-	86,733	23,040	-	23,040
Change in investment in Santa Margarita Groundwater						
Agency	(123,148)	-	(123,148)	(39,970)	-	(39,970)
Rental revenues	44,042	-	44,042	56,647	-	56,647
Interest expense	(153,662)	-	(153,662)	(150,507)	-	(150,507)
Loss on disposition of capital assets	(320,408)	-	(320,408)	-	-	-
<b>Total non-operating revenues, net</b>	<u>664,629</u>	<u>-</u>	<u>664,629</u>	<u>985,744</u>	<u>-</u>	<u>985,744</u>
<b>Net income(loss) before capital contributions</b>	<u>2,071,380</u>	<u>(34,467)</u>	<u>2,036,913</u>	<u>1,178,522</u>	<u>(45,781)</u>	<u>1,132,741</u>
<b>Capital contributions:</b>						
Capital grants - other governments	71,625	-	71,625	434,908	-	434,908
<b>Total capital contributions</b>	<u>71,625</u>	<u>-</u>	<u>71,625</u>	<u>434,908</u>	<u>-</u>	<u>434,908</u>
<b>Changes in net position</b>	<u>2,143,005</u>	<u>(34,467)</u>	<u>2,108,538</u>	<u>1,613,430</u>	<u>(45,781)</u>	<u>1,567,649</u>
<b>Net position, beginning of year, as previously stated</b>	28,779,670	339,304	29,118,974	27,870,350	385,085	28,255,435
<b>Prior period adjustment</b>	-	-	-	(704,110)	-	(704,110)
<b>Net position, beginning of year, as restated</b>	<u>28,779,670</u>	<u>339,304</u>	<u>29,118,974</u>	<u>27,166,240</u>	<u>385,085</u>	<u>27,551,325</u>
<b>Net position, end of year</b>	<u>\$ 30,922,675</u>	<u>304,837</u>	<u>31,227,512</u>	<u>28,779,670</u>	<u>339,304</u>	<u>29,118,974</u>

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## **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.

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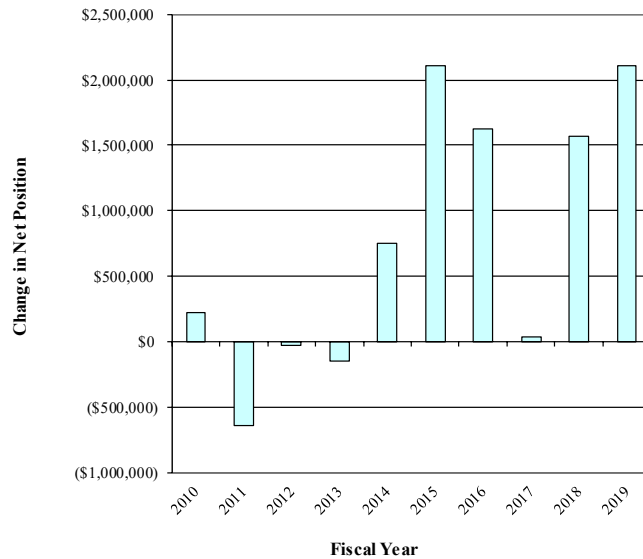
	<b><u>Page No.</u></b>
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# San Lorenzo Valley Water District

## Changes in Net Position

### Last Ten Fiscal Years

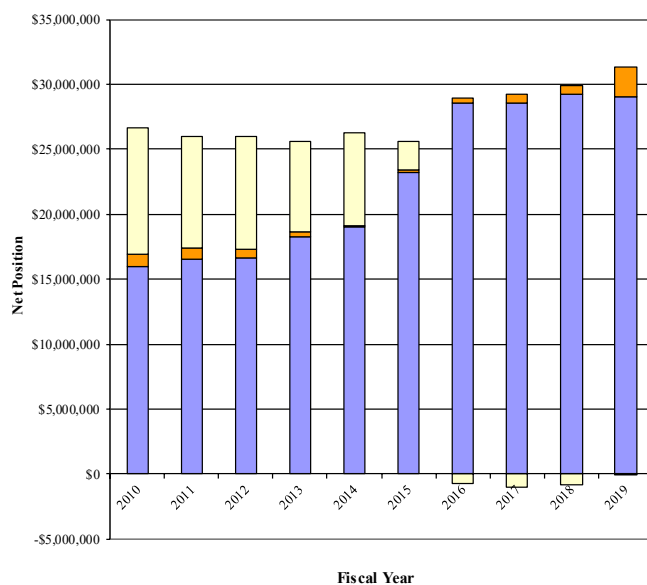
	Fiscal Year				
	2010	2011	2012	2013	2014
Changes in net position:					
Operating revenues (see Schedule 2)	\$ 4,481,317	4,819,542	5,292,035	5,544,632	5,838,488
Operating expenses (see Schedule 3)	(4,275,569)	(4,245,987)	(4,399,636)	(4,736,829)	(5,173,764)
Overhead absorption				48,543	132,347
Depreciation and amortization	(1,379,615)	(1,334,021)	(1,293,195)	(1,293,732)	(1,172,504)
<b>Operating income(loss)</b>	<b>(1,173,867)</b>	<b>(760,466)</b>	<b>(400,796)</b>	<b>(437,386)</b>	<b>(375,433)</b>
Non-operating revenues(expenses)					
Property taxes	504,342	492,443	467,181	459,834	478,632
Rental income	26,038	24,468	23,402	28,461	30,378
Assessment Revenue					
Investment income/(loss)	532,957	217,145	233,421	(80,321)	159,023
Change in investemnt in SMGWA					
Amortization of deferred charges	(25,252)	(25,252)	(35,021)		
Gain/(Loss) on sale/disposition of assets	-	(236,970)	-	1,874	2,000
Interest expense	(349,705)	(357,274)	(352,109)	(211,233)	(295,513)
Grant related expenses					
Other revenue/(expense), net	711,712	8,748	31,412	85,369	3,352
<b>Total non-operating revenues(expenses), net</b>	<b>1,400,092</b>	<b>123,308</b>	<b>368,286</b>	<b>283,984</b>	<b>377,872</b>
<b>Net income(loss) before capital contributions</b>	<b>226,225</b>	<b>(637,158)</b>	<b>(32,510)</b>	<b>(153,402)</b>	<b>2,439</b>
Capital contributions					753,600
<b>Changes in net position</b>	<b>\$ 226,225</b>	<b>(637,158)</b>	<b>(32,510)</b>	<b>(153,402)</b>	<b>756,039</b>
Net position by component:					
Invested in capital assets, net of related debt	\$ 15,991,991	16,564,381	16,665,481	18,309,392	18,981,706
Restricted	935,665	865,923	653,538	355,162	168,185
Unrestricted	9,688,030	8,548,224	8,626,999	6,898,478	7,169,180
<b>Total net position</b>	<b>\$ 26,615,686</b>	<b>25,978,528</b>	<b>25,946,018</b>	<b>25,563,032</b>	<b>26,319,071</b>



Source: SLVWD Finance Department

## Schedule 1

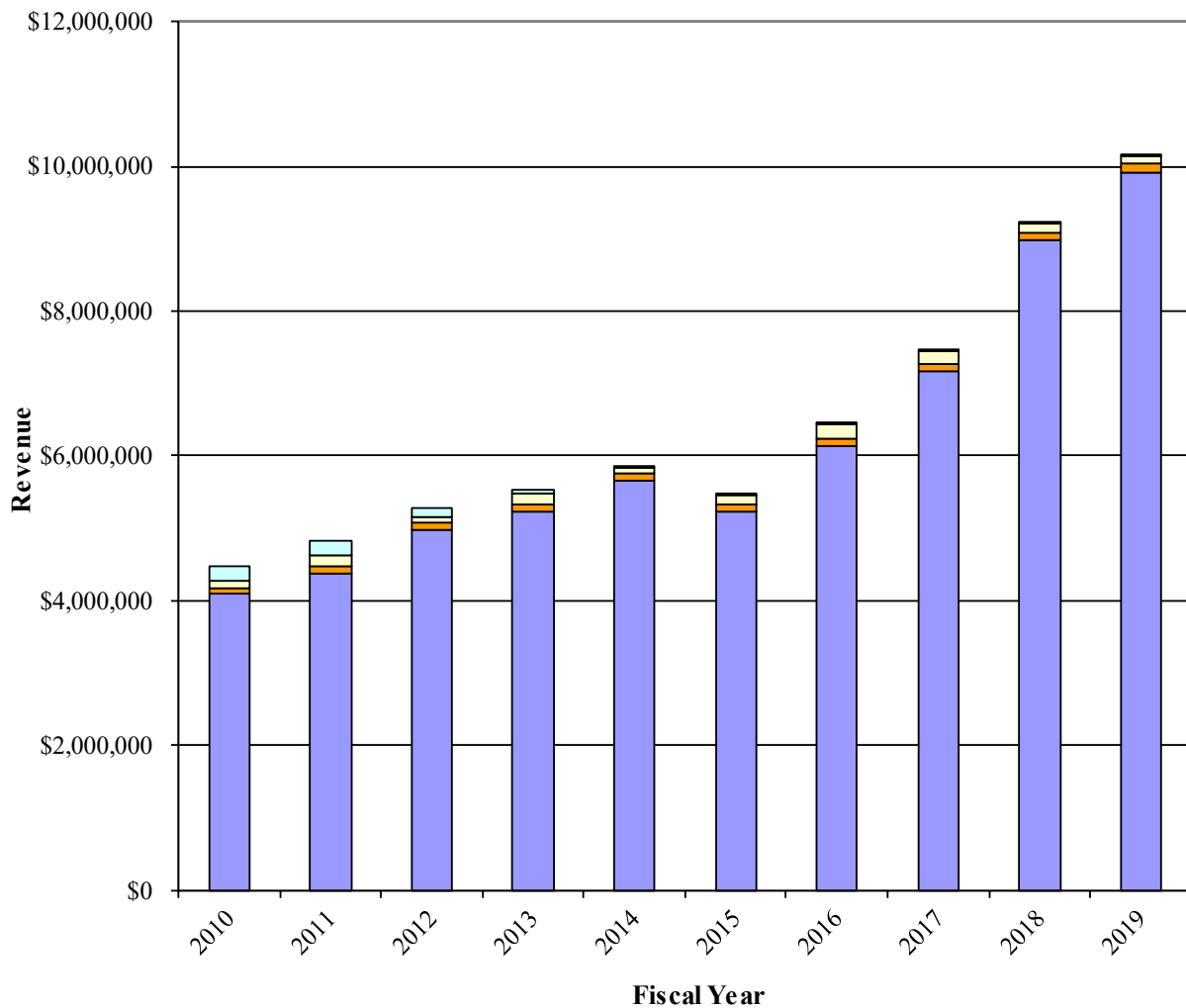
		Fiscal Year				
		2015	2016	2017	2018	2019
Changes in net position:						
Operating revenues (see Schedule 2)	\$	5,643,471	6,456,181	7,446,130	9,215,364	10,130,799
Operating expenses (see Schedule 3)		(5,552,334)	(5,560,839)	(7,109,458)	(7,591,791)	(7,341,031)
Overhead absorption		24,644	19,637	74,683	163,697	146,321
Depreciation and amortization		(1,139,110)	(1,326,056)	(1,417,477)	(1,640,273)	(1,563,805)
<b>Operating income(loss)</b>		<b>(1,023,329)</b>	<b>(411,076)</b>	<b>(1,006,122)</b>	<b>146,997</b>	<b>1,372,284</b>
Non-operating revenues(expenses)						
Property taxes		527,308	577,023	707,262	731,146	780,466
Rental income		29,713	43,921	61,851	56,647	44,042
Assessment Revenue		235,444	33,611	358,469	349,130	350,694
Investment income/(loss)		(1,909)	11,502	13,858	23,040	86,733
Change in investemnt in SMGWA					(39,970)	(123,148)
Amortization of deferred charges				-	-	-
Gain/(Loss) on sale/disposition of assets		34,499	-	-	-	(320,408)
Interest expense		(127,850)	(185,411)	(166,204)	(150,507)	(153,662)
Grant related expenses						
Other revenue/(expense), net		145,257	-	71,804	16,258	(89)
Total non-operating revenues(expenses), net		842,462	480,647	1,047,040	985,744	664,629
<b>Net income(loss) before capital contributions</b>		<b>(180,867)</b>	<b>69,570</b>	<b>40,918</b>	<b>1,132,741</b>	<b>2,036,913</b>
Capital contributions		2,287,233	1,557,589	-	434,908	71,625
<b>Changes in net position</b>	\$	<b>2,106,366</b>	<b>1,627,159</b>	<b>40,918</b>	<b>1,567,649</b>	<b>2,108,538</b>
Net position by component:						
Invested in capital assets, net of related debt	\$	23,227,784	28,535,901	28,551,697	29,278,749	29,092,752
Restricted		229,790	403,624	686,020	637,205	2,231,220
Unrestricted		2,120,592	(725,008)	(982,282)	(796,980)	(96,460)
<b>Total net position</b>	\$	<b>25,578,166</b>	<b>28,214,517</b>	<b>28,255,435</b>	<b>29,118,974</b>	<b>31,227,512</b>



**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>
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	5,237,534	100,088	124,896	16,372	5,478,890
2016	6,145,076	98,262	194,444	18,399	6,456,181
2017	7,157,650	102,107	178,632	7,741	7,446,130
2018	8,983,340	100,138	128,305	3,581	9,215,364
2019	9,917,657	111,820	99,464	1,858	10,130,799



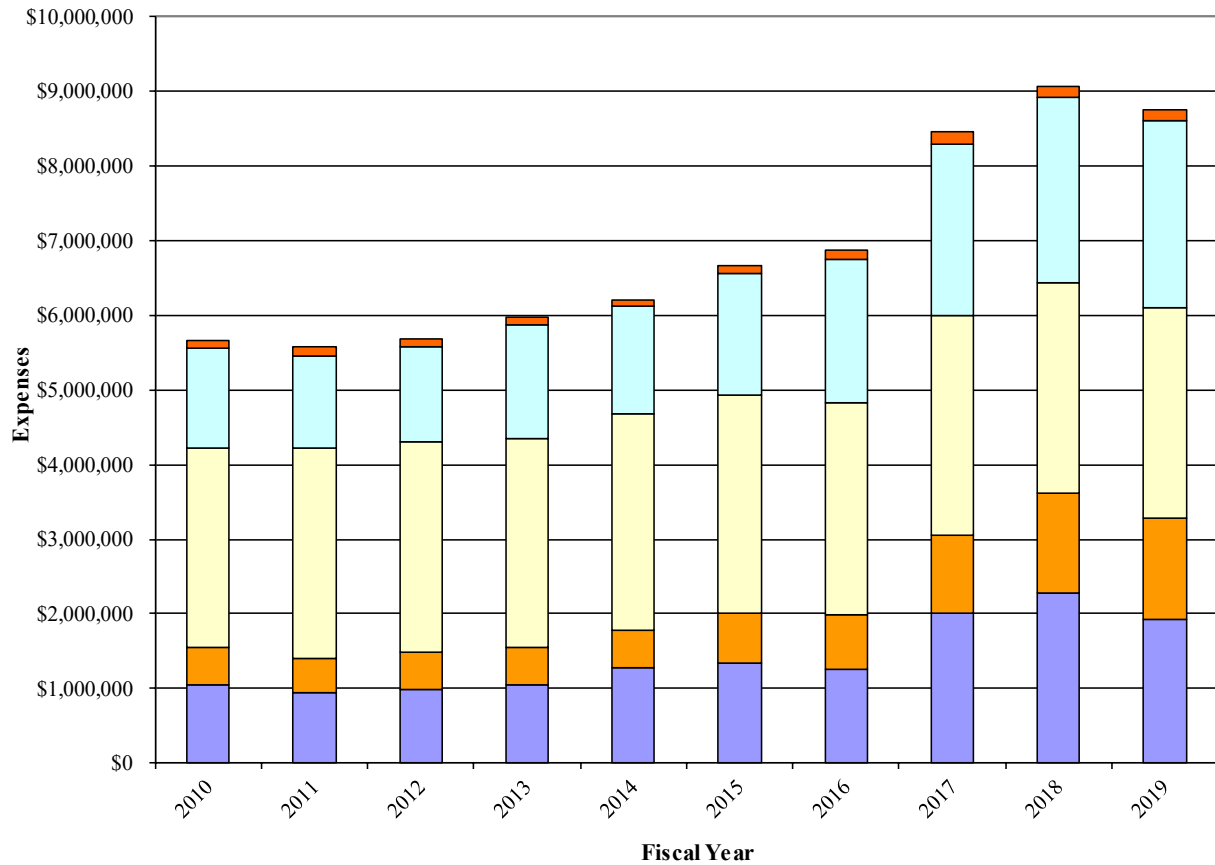
Source: SLVWD Finance Department



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

**Schedule 3**

Fiscal Year	General and Administrative	Finance Customer Service	Transmission and Distribution	Water Treatment	Wastewater Fund	Total Operating Expenses
2010 (1)	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	1,265,030	719,525	2,850,569	1,908,139	123,998	6,867,261
2017	2,002,222	1,060,345	2,937,280	2,289,576	162,829	8,452,252
2018	2,274,942	1,347,160	2,817,296	2,483,050	145,919	9,068,367
2019	1,930,348	1,343,423	2,827,059	2,511,399	146,286	8,758,515



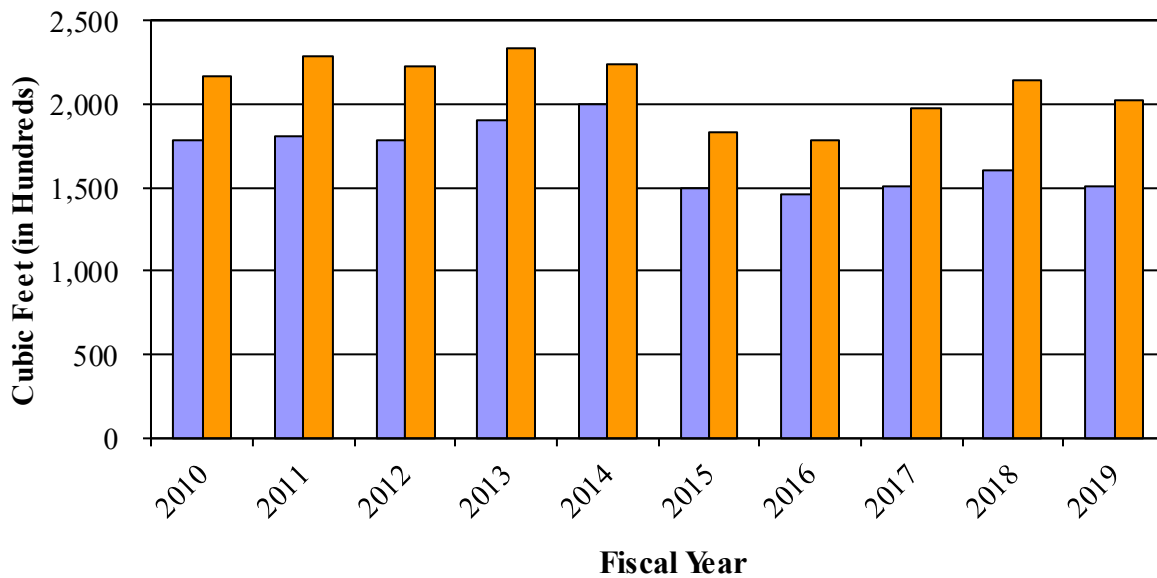
**Note:** (1) Activity break down data not available, a ratio of the next 5 years was applied to the total Operating Expenses.

**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>	<b>% Loss</b>
2010	1,781	2,168	22%
2011	1,806	2,283	26%
2012	1,789	2,234	25%
2013	1,910	2,335	22%
2014	1,995	2,239	12%
2015	1,500	1,828	22%
2016	1,461	1,787	22%
2017	1,503	1,976	31%
2018	1,601	2,142	34%
2019	1,506	2,029	35%



**Notes:** 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**

<b>Fiscal Year</b>		<b>2010(2)</b>	<b>2011(2)</b>	<b>2012(2)</b>	<b>2013(2)</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
Residential - Tier 1 (per HCF)	\$	2.360	2.710	2.710	2.710	3.090	3.430	3.810	3.810	n/a	n/a
Residential - Tier 2 (per HCF)		3.080	3.540	3.540	3.540	4.040	4.480	4.970	4.970	n/a	n/a
Residential - Tier 3 (per HCF)		3.690	4.240	4.240	4.240	4.840	5.370	5.960	5.960	n/a	n/a
Residential - Tier 4 (per HCF)		3.990	4.590	4.590	4.590	5.360	5.950	6.610	6.610	n/a	n/a
Residential - Tier 5 (per HCF)		4.350	5.000	5.000	5.000	n/a	n/a	n/a	n/a	n/a	n/a
Commercial/Flat (per HCF)		*	*	*	*	3.770	4.180	4.640	4.640	10.120	10.830
Wholesale - Boulder Creek (per HCF)		*	*	*	*	*	10.000	10.000	10.000	14.390	15.400

\* based on residential tiers above

**Ready-to-serve Fees per Month**

<b>Meter Size</b>		<b>2010(2)</b>	<b>2011(2)</b>	<b>2012(2)</b>	<b>2013(2)</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
3/4" or smaller	\$	43.24	49.73	49.73	49.73	55.20	30.64	34.00	34.00	28.27	30.24
1"		72.09	82.90	82.90	82.90	92.02	51.00	56.50	56.50	42.36	45.33
1 1/2"		145.15	166.92	166.92	166.92	185.00	102.50	114.00	114.00	77.61	83.04
2"		231.03	265.68	265.68	265.68	295.00	163.50	181.50	181.50	119.91	128.30
3"		433.58	498.62	498.62	498.62	553.00	307.00	341.00	341.00	232.70	248.98
4"		721.53	829.76	829.76	829.76	921.00	511.00	567.00	567.00	359.58	384.75
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.

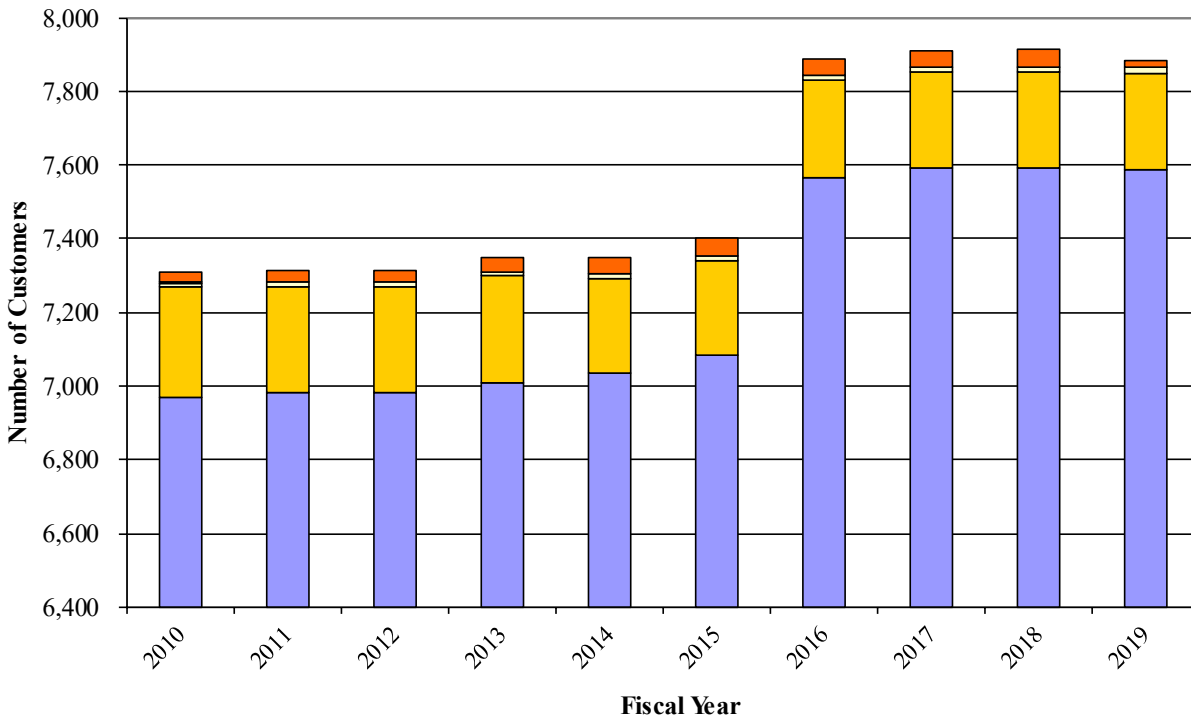
(2) Bi-Monthly Billing Rates

**Source:** SLVWD Board of Directors approved Rates and Charges

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

**Schedule 6**

Fiscal Year	Customer Type				Total
	Residential	Commercial	Landscape	Wholesale	
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 <sup>▼(1)</sup>	266	13	42	7,887
2017	7,592	260	14	42	7,908
2018	7,593	260	14	46	7,913
2019	7,588	262	14	21 <sup>▼(2)</sup>	7,885



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

(1) Majority of increase related to Lompico County Water District merger.

(2) Closed out accounts that have not used wholesale in over a year

**Source:** SLVWD Finance Department

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

**Schedule 7**

Customer ID	Customer Type	2019		2012 <sup>(1)</sup>	
		Water Consumed (AF)	Percentage of Total	Water Consumed (AF)	Percentage of Total
2012-1	Multi-Residential	33	2.06%	40	2.01%
2012-2	Multi-Residential	30	1.87%	19	0.95%
2012-3	Industrial	16	1.00%	17	0.85%
2012-4	Multi-Residential	11	0.69%	14	0.70%
2012-5	Private Mutual	9	0.56%	13	0.65%
2013-1	Commercial	(2) 8	0.50%	6	0.30%
2013-2	Multi-Residential	(2) 7	0.44%	7	0.35%
2012-6	Irrigation	7	0.44%	10	0.50%
2014-1	Industrial	(3) 7	0.44%	7	0.35%
2014-2	Multi-Residential	(3) 6	0.37%	5	0.25%
Total		134	8.37%	138	6.92%
Total Water Consumed (AF)		1,601	100.00%	1,995	100.00%

AF = Acre Feet

**Notes:**

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

(2) Data as of 2013

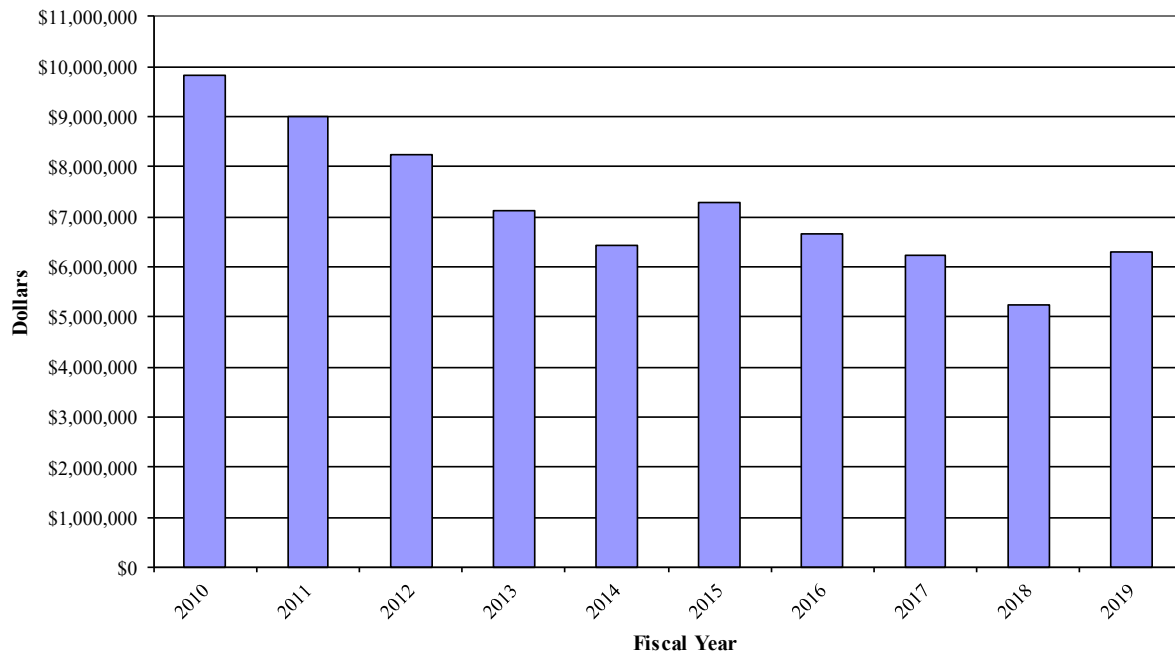
(3) Data as of 2014

**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>
2010	565,000	9,268,985		9,833,985	537.82	1.26%
2011	480,000	8,519,250		8,999,250	492.10	1.08%
2012	5,898,472	2,338,401		8,236,873	448.39	0.91%
2013	4,930,026	2,207,278		7,137,304	388.48	0.78%
2014	4,344,115	2,073,045		6,417,160	346.73	0.66%
2015	3,743,682	3,554,130		7,297,812	370.12	0.65%
2016	3,253,332	3,416,993		6,670,325	338.29	0.57%
2017	2,555,854	3,551,243	114,302	6,221,399	314.69	0.49%
2018	1,845,823	3,311,635	92,524	5,249,982	265.39	*
2019	1,179,809	5,063,293	70,019	6,313,121	320.26	*



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>Total</b>	<b>Coverage Ratio</b>
				<b>Principal</b>	<b>Interest</b>		
2010	6,256,366	(4,275,569)	1,605,840	(703,900)	(349,705)	(1,053,605)	1.52
2011	5,537,094	(4,245,987)	696,863	(834,735)	(357,274)	(1,192,009)	0.58
2012	6,012,430	(4,399,636)	1,260,685	(762,377)	(352,109)	(1,114,486)	1.13
2013	6,037,975	(4,736,829)	1,091,787	(1,099,569)	(211,233)	(1,310,802)	0.83
2014	6,509,873	(5,173,764)	1,042,596	(720,144)	(295,513)	(1,015,657)	1.03
2015	6,579,284	(5,552,334)	933,599	(737,932)	(127,850)	(865,782)	1.08
2016	7,122,239	(5,560,839)	1,375,989	(757,130)	(185,411)	(942,541)	1.46
2017	8,659,374	(7,109,458)	1,549,916	(873,247)	(166,204)	(1,039,451)	1.49
2018	10,351,615	(7,661,791)	2,689,824	(971,417)	(150,507)	(1,121,924)	2.40
2019	11,269,498	(7,341,031)	3,928,467	(936,861)	(153,662)	(1,090,523)	3.60

**Notes:**

(1) Operating expenses exclude depreciation expense.

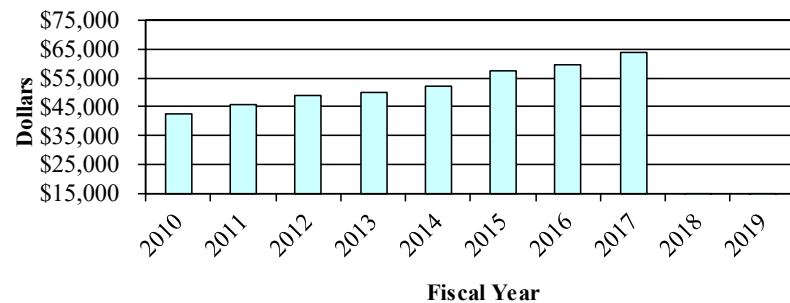
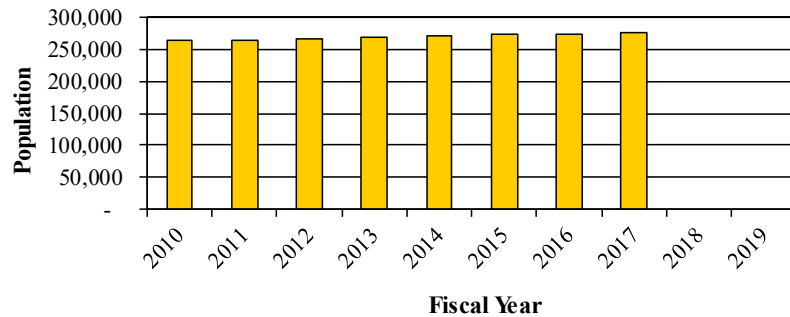
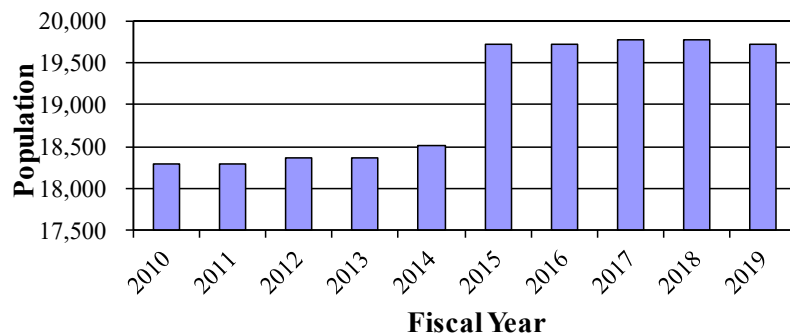
**Source:** SLVWD Finance Department

# 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
2010	18,285	13.3%	263,213	11,267,634	42,808
2011	18,288	13.1%	264,923	12,125,514	45,770
2012	18,370	11.8%	266,632	13,116,916	49,195
2013	18,373	10.3%	269,444	13,456,565	49,942
2014	18,508	8.7%	271,804	14,209,814	52,280
2015	19,718	7.5%	274,146	15,696,689	57,257
2016	19,718	6.9%	274,673	16,330,704	59,455
2017	19,770	5.7%	275,897	17,665,129	64,028
2018	19,783	4.9%	*	*	*
2019	19,713	*	*	*	*

\* 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

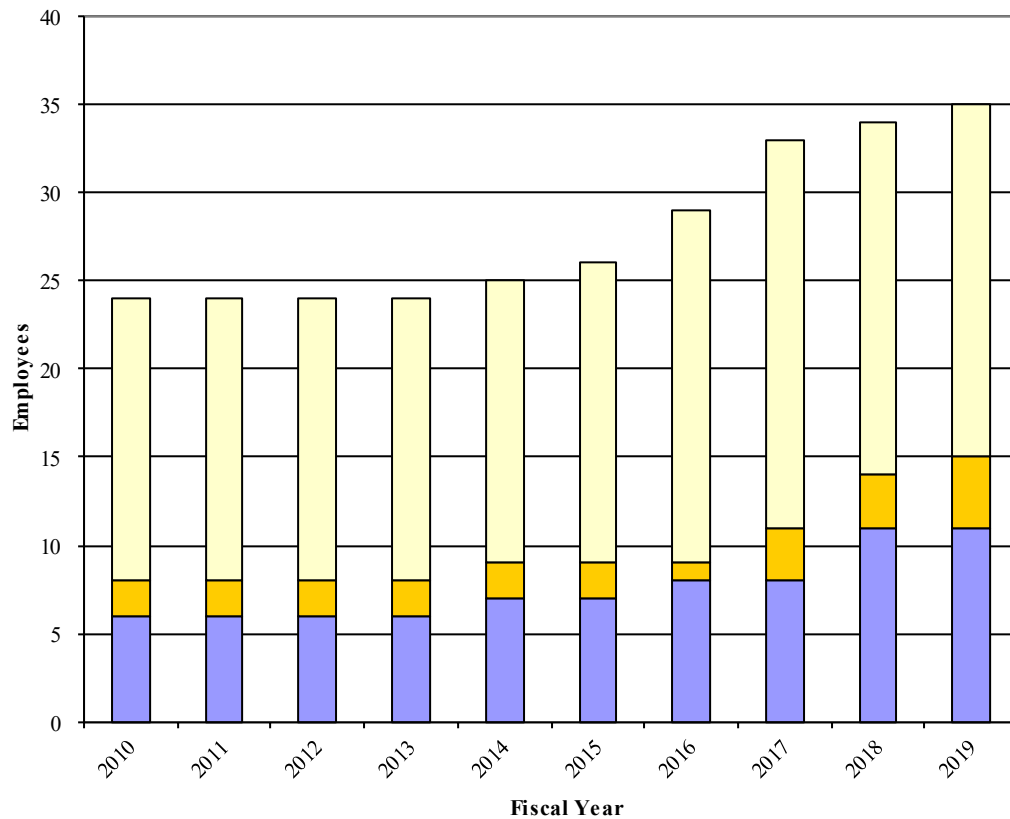


**San Lorenzo Valley Water District  
Full-Time Equivalent Employees  
Last Ten Fiscal Years**

**Schedule 11**

**Full-time Equivalent District Employees by Department**

<b>Fiscal Year</b>	<b>District Administration</b>	<b>Watershed &amp; Engineering</b>	<b>Treatment &amp; Operations</b>	<b>Total</b>
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
2017	8	3	22	33
2018	11	3	20	34
2019	11	4	20	35



**Source:** SLVWD Finance Department

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

**Schedule 12**

<b>Other Operating and Capacity Indicators</b>					
<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>
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
2017	60	169	9,297,000	2,700,000	1,800,000
2018	60	169	9,297,000	2,700,000	1,800,000
2019	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

# **Report on Internal Controls and Compliance**





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Certified Public Accountants

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**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, 2019 and 2018, and the related notes to the financial statements, which collectively comprises the District's basic financial statements, and have issued our report thereon dated December 5, 2019.

**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 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. 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.

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  
December 5, 2019