



San Lorenzo Valley Water District
Comprehensive Annual Financial Report
For the Fiscal Year June 30, 2021 and 2020



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, 2021

<u>Name</u>	<u>Title</u>	<u>Elected/ Appointed</u>	<u>Term Expires</u>
Gail Mahood	President	Elected	December 2024
Lois Henry	Vice President	Elected	December 2022
Bob Fultz	Director	Elected	December 2022
Mark Smolley	Director	Appointed	December 2022
Jayne Ackemann	Director	Appointed	December 2022

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



San Lorenzo Valley Water District

Comprehensive Annual Financial Report

For the Fiscal Years Ended June 30, 2021 and 2020

Prepared by:

Kendra Reed, Accountant

**San Lorenzo Valley Water District
Comprehensive Annual Financial Report
For the Fiscal Years Ended June 30, 2021 and 2020**

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San
Lorenzo Valley
WATER DISTRICT

Introductory Section



December 7, 2021

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, 2021, 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, 2021. 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 35 employees. The District's Board of Directors meets regularly, meetings are publicly noticed and citizens are encouraged to attend.

District History and Leadership, continued

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.

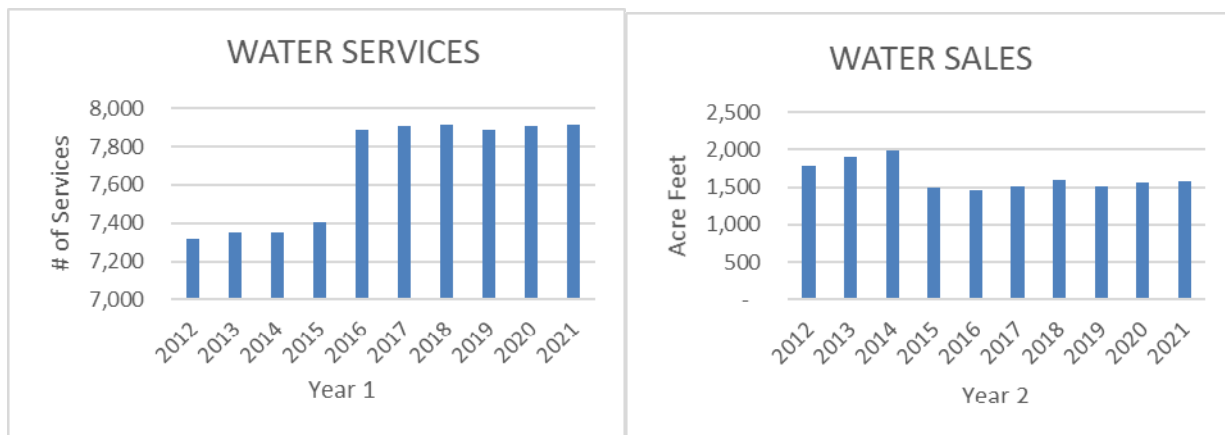
The District owns, operates, and maintains a wastewater system in Boulder Creek's Bear Creek Estates, which serves approximately 56 homes.

The District's boundaries comprise approximately 62 square miles. There are 190 miles of pipeline, 36 tank sites and 31 booster pump stations serving 37 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 seven 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.

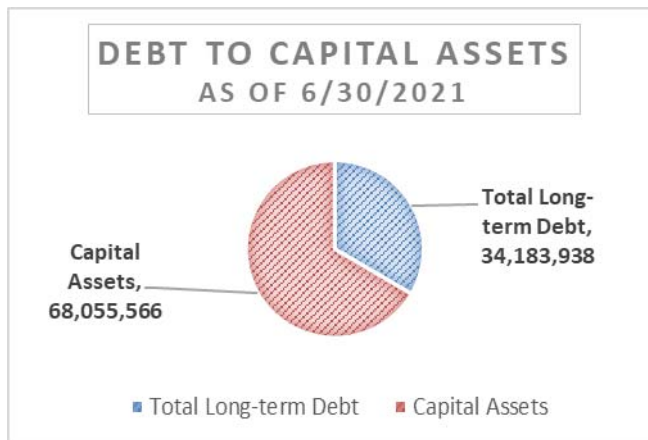


¹ In 2016 approximately 500 new services came on as part of the Lompico County Water District merger.

² 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. Please note this includes the full COP balance to be spent on capital in the future.



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 \$15M loan to fund various CZU projects and upcoming capital projects. The intended use of these proceeds are to fund several major capital projects. Funding for the CZU projects will be used to repair the District's critical infrastructure that was damaged during the CZU Lightning Complex Fire. The 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.

The District continues with impacts from Pacific Gas & Electric, Public Safety Power Shutdowns that resulted in generator purchases and additional staff overtime. During these outages 100% of District Facilities were without power, requiring emergency generators being installed.

Major Initiatives, continued

On August 16, 2020 the District facilities were heavily impacted by the CZU lightning fire destroying the District's raw water collection system, several transmission water mains and storage tanks, estimated damages at \$20M. The District has been working with FEMA submitting for grant recovery.

¹ 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

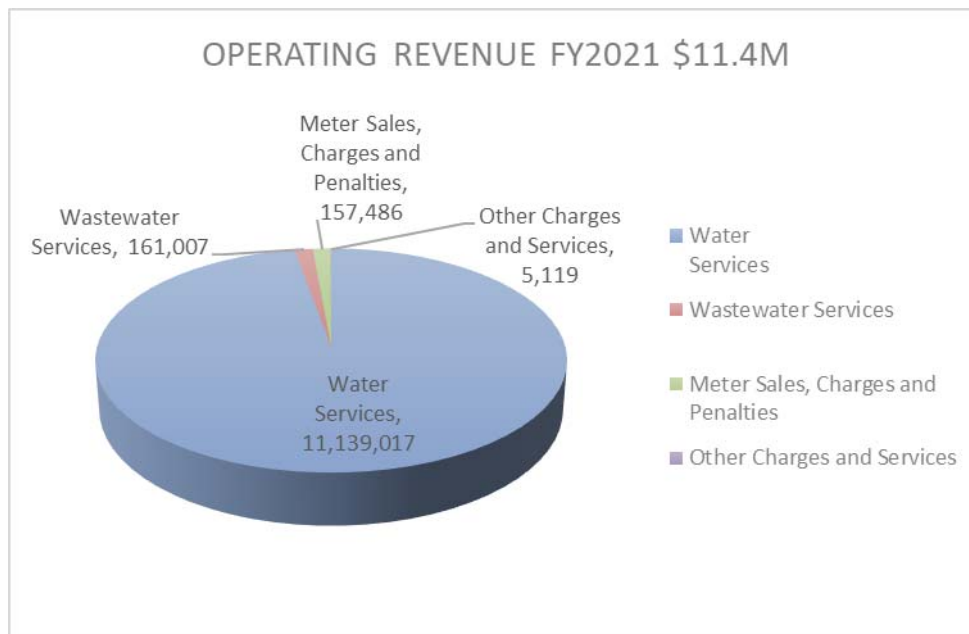
The Board of Directors has adopted an investment policy that conforms to state law, District policies and procedures, prudent money management, and the "prudent person" standards. The objectives of the Investment Policy are safety, liquidity and yield.

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.

Water and Sewer Rates and District Revenues, continued

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, 2020. The District has been awarded each year since its first submittal for fiscal year ended June 30, 2016. 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:



**Gail Mahood
(President)**



**Lois Henry
(Vice President)**



**Mark Smolley
(Director)**

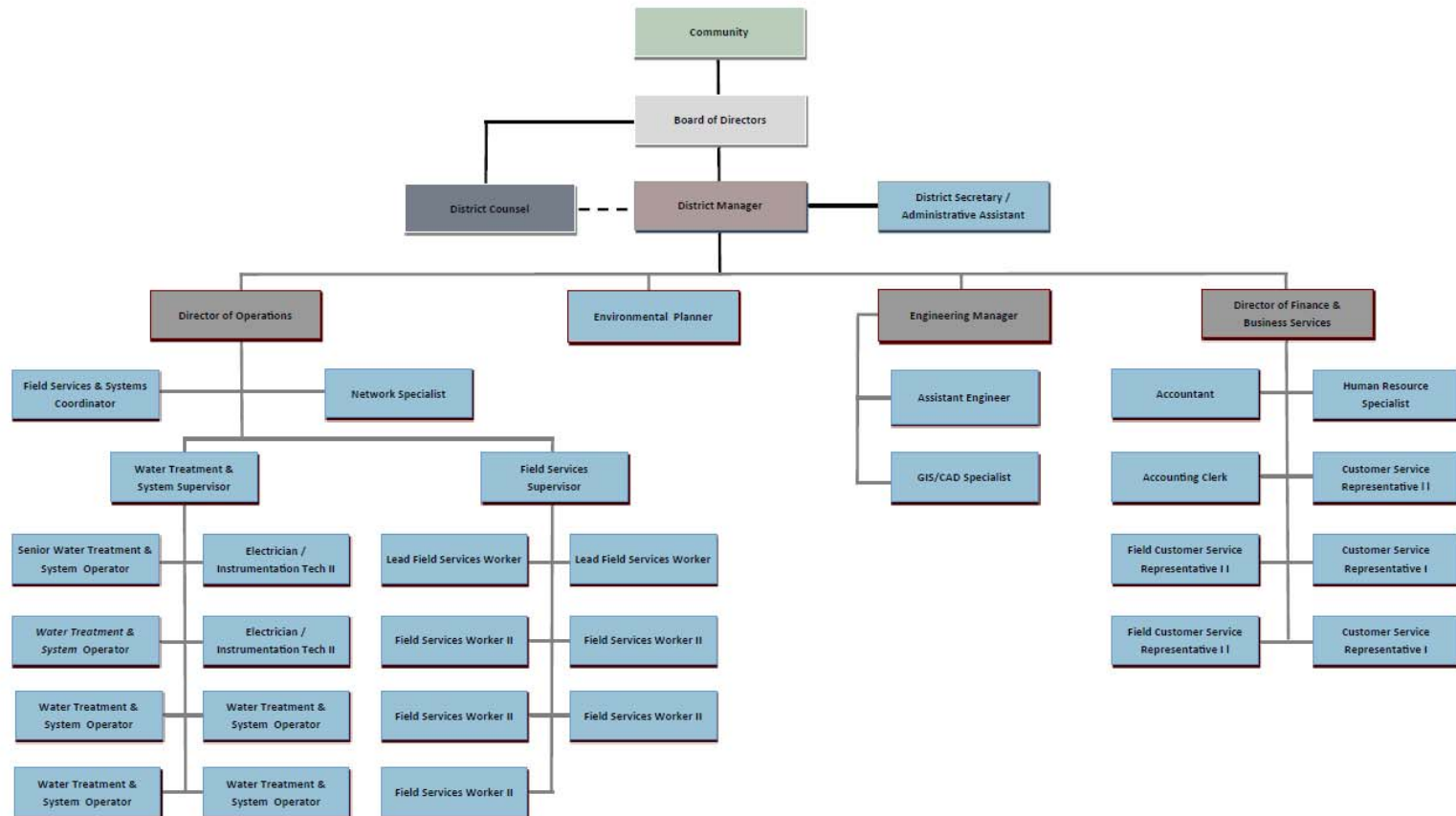


**Jayme Ackemann
(Director)**



**Bob Fultz
(Director)**

San Lorenzo Valley Water District Organizational Chart





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

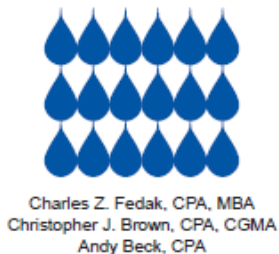
June 30, 2020

Christopher P. Morill

Executive Director/CEO

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Financial Section



Fedak & Brown LLP

Certified Public Accountants

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6081 Orange Avenue
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(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, 2021 and 2020, 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 an opinion 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 opinion.

Opinion

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, 2021 and 2020, 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

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 59 through 62 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 an opinion 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 63 through 65, and the statistical section on pages 66 through 80, 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 7, 2021, 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 81 and 82.

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

Fedak & Brown LLP

Cypress, California

December 7, 2021

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San Lorenzo Valley Water District
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2021 and 2020

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, 2021 and 2020. 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 12.55% or \$4,197,380 to \$37,646,318. In 2020, the District's net position increased 7.11% or \$2,221,426 to \$33,448,938.
- The District's operating revenues increased 2.93% or \$326,725 to \$11,462,629. In 2020, the District's operating revenues increased 9.92% or \$1,005,105 to \$11,135,904.
- The District's non-operating revenues increased 11.79% or \$182,264 to \$1,728,306. In 2020, the District's non-operating revenues increased 22.52% or \$284,195 to \$1,546,042.
- The District's operating expenses increased 22.33% or \$1,769,863 to \$9,694,417. In fiscal year 2020, the District's operating expenses increased 7.95% or \$583,523 to \$7,924,554.
- The District's non-operating expenses decreased 20.16% or \$247,848 to \$981,850. In 2020, the District's non-operating expenses increased 105.90% or \$632,480 to \$1,229,698.

Required Financial Statements

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

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

The Statement of Net Position includes all of the District's investments in resources (assets), deferred outflows of resources, the obligations to creditors (liabilities), and deferred inflows of resources. It also provides the basis for computing a rate of return, evaluating the capital structure of the District, and assessing the liquidity and financial flexibility of the District. All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. This statement measures the success of the District's operations over the past year and can be used to determine if the District has successfully recovered all of its costs through its rates and other charges. This statement can also be used to evaluate profitability and credit worthiness. The final required financial statement is the Statement of Cash Flows, which provides information about the District's cash receipts and cash payments during the reporting period. The Statement of Cash Flows reports cash receipts, cash payments, and net change 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, 2021 and 2020

Financial Analysis of the District

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the District in a way that helps answer this question.

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

These two statements report the District's *net position* and changes in it. 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 58.

Statement of Net Position

Below is a summary of the statements of net position.

Condensed Statements of Net Position					
	2021	2020	Change	2019	Change
Assets:					
Current assets	\$ 34,502,435	21,801,497	12,700,938	7,555,633	14,245,864
Non-current assets	52,189	21,681	30,508	52,510	(30,829)
Capital assets, net	44,402,883	38,568,902	5,833,981	35,405,873	3,163,029
Total assets	78,957,507	60,392,080	18,565,427	43,014,016	17,378,064
Deferred outflows of resources	1,707,047	1,675,805	31,242	934,898	740,907
Liabilities:					
Current liabilities	3,006,259	2,714,300	291,959	1,903,383	810,917
Non-current liabilities	39,944,659	25,726,813	14,217,846	10,694,373	15,032,440
Total liabilities	42,950,918	28,441,113	14,509,805	12,597,756	15,843,357
Deferred inflows of resources	67,318	177,834	(110,516)	123,646	54,188
Net position:					
Net investment in capital assets	33,871,628	31,913,552	1,958,076	29,092,752	2,820,800
Restricted	626,075	667,387	(41,312)	2,231,220	(1,563,833)
Unrestricted (deficit)	3,148,615	867,999	2,280,616	(96,460)	964,459
Total net position	\$ 37,646,318	33,448,938	4,197,380	31,227,512	2,221,426

San Lorenzo Valley Water District
Management's Discussion and Analysis, continued
For the Fiscal Years Ended June 30, 2021 and 2020

Statement 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 and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$37,646,318 and \$33,448,938 as of June 30, 2021 and 2020, respectively.

The District's net position increased 12.55% or \$4,197,380. In fiscal year 2020, the District's net position increased 7.11% or \$2,221,426. 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 2021 and 2020, the District showed a unrestricted net position of \$3,148,615 and \$867,999, respectively. See Note 9 for the further information.

By far the largest portion of the District's net position (89.97% and 95.41% as of June 30, 2021 and 2020, respectively) 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 9 for further information.

Statement of Revenues, Expenses, and Changes in Net Position

Below is a summary of the statements of changes in revenues, expenses, and changes in net position.

Condensed Statements of Revenues, Expenses, and Changes in Net Position					
	<u>2021</u>	<u>2020</u>	<u>Change</u>	<u>2019</u>	<u>Change</u>
Revenues:					
Operating revenues	\$ 11,462,629	11,135,904	326,725	10,130,799	1,005,105
Non-operating revenues	1,728,306	1,546,042	182,264	1,261,847	284,195
Total revenues	<u>13,190,935</u>	<u>12,681,946</u>	<u>508,989</u>	<u>11,392,646</u>	<u>1,289,300</u>
Expenses:					
Operating expenses	9,694,417	7,924,554	1,769,863	7,341,031	583,523
Non-operating expenses	981,850	1,229,698	(247,848)	597,218	632,480
Overhead absorption	(379,539)	(231,862)	(147,677)	(146,321)	(85,541)
Depreciation	1,728,054	1,582,370	145,684	1,563,805	18,565
Total expenses	<u>12,024,782</u>	<u>10,504,760</u>	<u>1,520,022</u>	<u>9,355,733</u>	<u>1,149,027</u>
Net income before capital contributions	1,166,153	2,177,186	(1,011,033)	2,036,913	140,273
Capital contributions	<u>3,031,227</u>	<u>44,240</u>	<u>2,986,987</u>	<u>71,625</u>	<u>(27,385)</u>
Changes in net position	<u>4,197,380</u>	<u>2,221,426</u>	<u>1,975,954</u>	<u>2,108,538</u>	<u>112,888</u>
Net position, beginning of year	<u>33,448,938</u>	<u>31,227,512</u>	<u>2,221,426</u>	<u>29,118,974</u>	<u>2,108,538</u>
Net position, end of year	<u>\$ 37,646,318</u>	<u>33,448,938</u>	<u>4,197,380</u>	<u>31,227,512</u>	<u>2,221,426</u>

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

The District's net position increased 12.55% or \$4,197,380 to \$37,646,318, due primarily to ongoing operations.

In fiscal year 2020, the District's net position increased 7.11% or \$2,221,426 to \$33,448,938, due primarily to ongoing operations.

San Lorenzo Valley Water District
Management's Discussion and Analysis, continued
For the Fiscal Years Ended June 30, 2021 and 2020

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

Total Revenues

	<u>2021</u>	<u>2020</u>	<u>Change</u>	<u>2019</u>	<u>Change</u>
Operating revenues:					
Water consumption sales	\$ 11,139,017	10,865,193	273,824	9,917,657	947,536
Wastewater service	161,007	134,148	26,859	111,820	22,328
Meter sales, charges, and penalties	157,486	135,129	22,357	99,464	35,665
Other charges and services	5,119	1,434	3,685	1,858	(424)
Total operating revenues	<u>11,462,629</u>	<u>11,135,904</u>	<u>326,725</u>	<u>10,130,799</u>	<u>1,005,105</u>
Non-operating revenues:					
Property tax	847,676	813,051	34,625	780,378	32,673
Assessment revenues	343,086	349,254	(6,168)	350,694	(1,440)
Investment income	131,657	333,478	(201,821)	86,733	246,745
Operating grant	334,681	-	334,681	-	-
Rental revenue	50,558	44,047	6,511	44,042	5
Gain on disposal of capital assets	13,706	1,786	11,920	-	1,786
Settlement and purchase agreements	6,942	4,426	2,516	-	4,426
Total non-operating revenues	<u>1,728,306</u>	<u>1,546,042</u>	<u>182,264</u>	<u>1,261,847</u>	<u>284,195</u>
Capital contributions:					
Capital grants - other governments	3,031,227	44,240	2,986,987	71,625	(27,385)
Total revenues	<u>\$ 16,222,162</u>	<u>12,726,186</u>	<u>3,495,976</u>	<u>11,464,271</u>	<u>1,261,915</u>

The District's total revenues increased \$3,495,976. Operating revenues increased \$326,725, primarily due to an increase in water consumption sales of \$273,824. Non-operating revenues increased \$182,264, primarily due to increases of \$334,681 in operating grant and \$34,625 in property tax; which were offset by a decrease of \$201,821 in investment income. Capital contributions increased \$2,986,987.

In fiscal year 2020, the District's total revenues increased \$1,261,915. Operating revenues increased \$1,005,105, primarily due to an increase in water consumption sales of \$947,536. Non-operating revenues increased \$284,195, primarily due to increases of \$246,745 in investment income and \$32,673 in property taxes.

San Lorenzo Valley Water District
Management's Discussion and Analysis, continued
For the Fiscal Years Ended June 30, 2021 and 2020

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

Total Expenses

	<u>2021</u>	<u>2020</u>	<u>Change</u>	<u>2019</u>	<u>Change</u>
Operating expenses including depreciation expense:					
Salaries and benefits	\$ 6,036,430	5,594,324	442,106	4,865,859	728,465
Professional services	1,823,155	777,556	1,045,599	1,037,612	(260,056)
Operational	509,163	415,672	93,491	375,948	39,724
Maintenance	200,846	200,153	693	153,892	46,261
Facilities	698,229	569,129	129,100	568,165	964
General and administrative	426,594	367,720	58,874	339,555	28,165
Depreciation	<u>1,728,054</u>	<u>1,582,370</u>	<u>145,684</u>	<u>1,563,805</u>	<u>18,565</u>
Total operating expenses including depreciation expense	<u>11,422,471</u>	<u>9,506,924</u>	<u>1,915,547</u>	<u>8,904,836</u>	<u>602,088</u>
Non-operating expenses:					
Interest expense	772,887	638,604	134,283	153,662	484,942
Change in investment in JPA	153,963	178,740	(24,777)	123,148	55,592
Bond issuance cost	55,000	412,354	(357,354)	-	412,354
Loss on disposition of capital assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>320,408</u>	<u>(320,408)</u>
Total non-operating expenses	<u>981,850</u>	<u>1,229,698</u>	<u>(247,848)</u>	<u>597,218</u>	<u>632,480</u>
Total expenses	<u>\$ 12,404,321</u>	<u>10,736,622</u>	<u>1,667,699</u>	<u>9,502,054</u>	<u>1,234,568</u>

The District's total expenses increased \$1,667,699. The District's operating expenses increased \$1,915,547 primarily due to increases of \$1,045,599 in professional services, \$442,106 in salaries and benefits, \$145,684 in depreciation, \$129,100 in facilities, and \$93,491 in operational. The increase in salaries and benefits include non-cash transactions of \$368,391 related to OPEB and pension. The District's non-operating expenses decreased \$247,848 primarily due to a decrease of \$357,354 in bond issuance cost; which was offset by an increase of \$134,283 in interest expense.

In fiscal year 2020, the District's total expenses increased \$1,234,568. The District's operating expenses increased \$602,088 primarily due to increases of \$728,465 in salaries and benefits and \$46,261 in maintenance; which were offset by a decrease of \$260,056 in professional services. The increase in salaries and benefits include non-cash transactions of \$517,578 related to OPEB and pension; and the decrease in professional services include a decrease of \$164,137 in legal expenses, mainly as a result of a legal settlement in the prior year. The District's non-operating expenses increased \$632,480 primarily due to increases of \$484,942 in interest expense and \$412,354 in bond issuance cost; which were offset by a decrease of \$320,408 in loss on disposal of capital assets caused by the destruction of a well.

Capital Asset Administration

The change in capital assets for 2021, was as follows:

	<u>Balance 2020</u>	<u>Additions</u>	<u>Transfers/ Disposals</u>	<u>Balance 2021</u>
Capital assets:				
Non-depreciable assets	\$ 9,129,138	8,004,839	(4,772,177)	12,361,800
Depreciable assets	62,998,298	4,335,135	(956,403)	66,377,030
Accumulated depreciation	<u>(33,558,534)</u>	<u>(1,728,054)</u>	<u>950,641</u>	<u>(34,335,947)</u>
Total capital assets	<u>\$ 38,568,902</u>	<u>10,611,920</u>	<u>(4,777,939)</u>	<u>44,402,883</u>

San Lorenzo Valley Water District
Management's Discussion and Analysis, continued
For the Fiscal Years Ended June 30, 2021 and 2020

Capital Asset Administration, continued

The change in capital assets for 2020, was as follows:

	<u>Balance 2019</u>	<u>Additions</u>	<u>Transfers/ Disposals</u>	<u>Balance 2020</u>
Capital assets:				
Non-depreciable assets	\$ 9,200,401	4,747,113	(4,818,376)	9,129,138
Depreciable assets	58,213,826	4,818,376	(33,904)	62,998,298
Accumulated depreciation	<u>(32,008,354)</u>	<u>(1,582,370)</u>	<u>32,190</u>	<u>(33,558,534)</u>
Total capital assets	<u>\$ 35,405,873</u>	<u>7,983,119</u>	<u>(4,820,090)</u>	<u>38,568,902</u>

The District's investment in capital assets (net of accumulated depreciation) amounted to \$44,402,883. Major capital assets additions during the year included upgrades to the District's water transmission and distribution system, field and shop equipment, and transportation equipment¹.

At the end of fiscal year 2020, the District's investment in capital assets (net of accumulated depreciation) amounted to \$38,568,902. Major capital assets additions during the year included upgrades to the District's water transmission and distribution system, field and shop equipment, and office equipment.

See Note 4 for further information.

Debt Administration

The change in long-term debt amounts for 2021, was as follows:

	<u>Balance 2020</u>	<u>Additions</u>	<u>Principal Payments</u>	<u>Balance 2021</u>
Long-term debt:				
Notes payable	\$ 4,760,158	15,000,000	(330,528)	19,429,630
Bonds payable	597,778	-	(494,531)	103,247
Certificate of participation	14,887,705	-	(259,578)	14,628,127
Capital lease payable	<u>46,859</u>	<u>-</u>	<u>(23,926)</u>	<u>22,933</u>
Total long-term debt	<u>\$ 20,292,500</u>	<u>15,000,000</u>	<u>(1,108,563)</u>	<u>34,183,937</u>

The change in long term debt amounts for 2020, was as follows:

	<u>Balance 2019</u>	<u>Additions</u>	<u>Principal Payments</u>	<u>Balance 2020</u>
Long-term debt:				
Notes payable	\$ 5,063,293	-	(303,135)	4,760,158
Bonds payable	1,179,809	-	(582,031)	597,778
Certificate-of-participation	-	14,912,354	(24,649)	14,887,705
Capital lease payable	<u>70,019</u>	<u>-</u>	<u>(23,160)</u>	<u>46,859</u>
Total long-term debt	<u>\$ 6,313,121</u>	<u>14,912,354</u>	<u>(932,975)</u>	<u>20,292,500</u>

¹ 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, 2021 and 2020

Debt Administration, continued

The District's long-term debt increased \$13,891,437, primarily due to the addition of a \$15,000,000 installment purchase agreement, offset by \$1,108,563 in principal payments.

In fiscal year 2020, the District's long-term debt increased \$13,979,379, primarily due to the addition of a \$14,912,354 Revenue Series 2019 Certificate-of-Participation, offset by \$932,975 in principal payments.

See Note 6 for further information.

Conditions Affecting Current Financial Position

The COVID-19 outbreak in the United States has caused business disruption through labor shortages and closings of businesses. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the disruption. However, the related financial impact on the District and the duration cannot be estimated at this time.

On August 2020, the District suffered damages to its water infrastructures caused by the Boulder Creek Fire. The District is working with other agencies to rebuild and repair damages caused by the fire.

Management is unaware of any other 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 District at San Lorenzo Valley Water District, 13060 Highway 9, Boulder Creek, California 95006, (831) 430-4620.

Basic Financial Statements

San Lorenzo Valley Water District
Statements of Net Position
June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Current assets:		
Cash and cash equivalents (note 2)	\$ 848,935	1,488,104
Cash and cash equivalents – restricted (note 2)	24,278,757	14,304,537
Accrued interest receivable	69	3,206
Investments (note 2)	4,085,651	3,969,393
Accounts receivable – water sales and services	1,896,188	1,737,057
Accounts receivable – property taxes	67	1,324
Accounts receivable – other	13,416	635
Prepaid expenses	76,952	14,105
Materials and supplies inventory	296,125	283,136
Total current assets	<u>34,502,435</u>	<u>21,801,497</u>
Non-current assets:		
Investments in joint-powers authority (note 3)	52,189	21,681
Capital assets – not being depreciated (note 4)	12,361,800	9,129,138
Capital assets – being depreciated (note 4)	32,041,083	29,439,764
Total non-current assets	<u>44,455,072</u>	<u>38,590,583</u>
Total assets	<u>78,957,507</u>	<u>60,392,080</u>
Deferred outflows of resources:		
Deferred OPEB outflows (note 7)	687,353	736,559
Deferred pension outflows (note 8)	1,019,694	939,246
Total deferred outflows of resources	<u>\$ 1,707,047</u>	<u>1,675,805</u>

Continued on next page

See accompanying notes to the basic financial statements

San Lorenzo Valley Water District
Statements of Net Position, continued
June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Current liabilities:		
Accounts payable and accrued expense	\$ 920,780	947,456
Accrued wages and related payables	114,408	149,315
Unearned revenues – customer deposits	105,952	109,048
Unearned revenues – construction deposits	8,579	17,000
Accrued interest payable	324,155	206,656
Long-term liabilities – due in one year:		
Compensated absences (note 5)	228,279	205,304
Loans payable (note 6)	933,031	330,959
Bonds payable (note 6)	103,247	494,531
Certificate-of-participation (note 6)	245,000	230,000
Capital lease payable (note 6)	22,828	24,031
Total current liabilities	<u>3,006,259</u>	<u>2,714,300</u>
Non-current liabilities:		
Long-term liabilities – due in more than one year:		
Compensated absences (note 5)	405,830	364,985
Loans payable (note 6)	18,496,599	4,429,199
Bonds payable (note 6)	-	103,247
Certificate-of-participation (note 6)	14,383,127	14,657,705
Capital lease payable (note 6)	105	22,828
Net OPEB liability (note 7)	2,128,882	1,990,505
Net pension liability (note 8)	4,530,116	4,158,344
Total non-current liabilities	<u>39,944,659</u>	<u>25,726,813</u>
Total liabilities	<u>42,950,918</u>	<u>28,441,113</u>
Deferred inflows of resources		
Deferred OPEB inflows (note 7)	21,988	23,821
Deferred pension inflows (note 8)	45,330	154,013
Total deferred inflows of resources	<u>67,318</u>	<u>177,834</u>
Net position: (note 10)		
Net investment in capital assets	33,871,628	31,913,552
Restricted	626,075	667,387
Unrestricted	3,148,615	867,999
Total net position	<u>\$ 37,646,318</u>	<u>33,448,938</u>

See accompanying notes to the basic financial statements

San Lorenzo Valley Water District
Statements of Cash Flows
For the Fiscal Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Operating revenues:		
Water consumption sales	\$ 11,139,017	10,865,193
Wastewater service	161,007	134,148
Meter sales, charges, and penalties	157,486	135,129
Other charges and services	5,119	1,434
Total operating revenues	<u>11,462,629</u>	<u>11,135,904</u>
Operating expenses:		
Salaries and benefits	6,036,430	5,594,324
Professional services	1,823,155	777,556
Operational	509,163	415,672
Maintenance	200,846	200,153
Facilities	698,229	569,129
General and administrative	426,594	367,720
Total operating expenses	<u>9,694,417</u>	<u>7,924,554</u>
Operating income before overhead absorption	1,768,212	3,211,350
Overhead absorption	379,539	231,862
Operating income before depreciation expense	2,147,751	3,443,212
Depreciation expense	(1,728,054)	(1,582,370)
Operating income	<u>419,697</u>	<u>1,860,842</u>
Non-operating revenues(expenses):		
Property tax	847,676	813,051
Assessment revenues	343,086	349,254
Investment earnings	131,657	333,478
Change in investment in Santa Margarita Groundwater Agency	(153,963)	(178,740)
Operating grant	334,681	-
Rental revenue	50,558	44,047
Bond issuance expense	(55,000)	(412,354)
Interest expense	(772,887)	(638,604)
Gain on disposition of capital assets	13,706	1,786
Settlement and purchase agreements	6,942	4,426
Total non-operating revenues, net	<u>746,456</u>	<u>316,344</u>
Net income before capital contributions	<u>1,166,153</u>	<u>2,177,186</u>
Capital contributions:		
Capital grants – other governments	3,031,227	44,240
Total capital contributions	<u>3,031,227</u>	<u>44,240</u>
Changes in net position	4,197,380	2,221,426
Net position, beginning of year	<u>33,448,938</u>	<u>31,227,512</u>
Net position, end of year	<u>\$ 37,646,318</u>	<u>33,448,938</u>

See accompanying notes to the basic financial statements

San Lorenzo Valley Water District
Statements of Cash Flows
For the Fiscal Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Cash receipts from customers for sales and services	\$ 11,281,023	10,858,890
Cash paid to employees for salaries and wages	(6,007,517)	(5,657,188)
Cash paid to vendors for materials and services	(3,007,450)	(782,925)
Net cash provided by operating activities	<u>2,266,056</u>	<u>4,418,777</u>
Cash flows from non-capital financing activities:		
Proceeds from property taxes/assessments	1,192,019	1,162,696
Proceeds from rental revenue	50,558	44,047
Operating grant	334,681	-
Net cash provided by non-capital financing activities	<u>1,577,258</u>	<u>1,206,743</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(7,548,329)	(4,743,613)
Proceeds from capital contributions	24,952	44,240
Proceeds from long-term debt	15,000,000	14,912,354
Bond issuance cost	(55,000)	(412,354)
Principal paid on long-term debt	(1,108,563)	(932,975)
Interest paid on long-term debt	(655,388)	(470,157)
Net cash provided by capital and related financing activities	<u>5,657,672</u>	<u>8,397,495</u>
Cash flows from investing activities:		
Purchase of investments	(116,258)	(1,692,793)
Santa Margarita Groundwater Agency contribution	(184,471)	(147,911)
Proceeds from investment earnings	134,794	335,759
Net cash used in investing activities	<u>(165,935)</u>	<u>(1,504,945)</u>
Net increase in cash and cash equivalents	9,335,051	12,518,070
Cash and cash equivalents, beginning of year	<u>15,792,641</u>	<u>3,274,571</u>
Cash and cash equivalents, end of year	<u>\$ 25,127,692</u>	<u>15,792,641</u>
Reconciliation of cash and cash equivalents to statements of net position:		
Cash and cash equivalents	\$ 848,935	1,488,104
Cash and cash equivalents – restricted	24,278,757	14,304,537
Total cash and cash equivalents	<u>\$ 25,127,692</u>	<u>15,792,641</u>

Continued on next page

See accompanying notes to the basic financial statements

San Lorenzo Valley Water District
Statements of Cash Flows, continued
For the Fiscal Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ <u>419,697</u>	<u>1,860,842</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	1,728,054	1,582,370
Change in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:		
(Increase)decrease in assets and deferred outflows of resources:		
Accounts receivable – water sales and services, net	(159,131)	(285,051)
Accounts receivable – other	(12,781)	34,813
Prepaid expenses	(62,847)	228,644
Materials and supplies inventory	(12,989)	(16,079)
Deferred outflows of resources	(31,242)	(740,907)
Increase(decrease) in liabilities and deferred inflows of resources:		
Accounts payable and accrued expense	(26,676)	583,866
Accrued wages and related payables	(34,907)	(93,900)
Unearned revenues – customer deposits	(3,096)	(32,823)
Unearned revenues – construction deposits	(8,421)	3,055
Compensated absences	63,820	31,036
Net OPEB liability	138,377	851,612
Net pension liability	371,772	352,685
Deferred inflows of resources	<u>(110,516)</u>	<u>54,188</u>
Total adjustments	<u>1,846,359</u>	<u>2,557,935</u>
Net cash provided by operating activities	<u>\$ <u>2,266,056</u></u>	<u><u>4,418,777</u></u>

See accompanying notes to the basic financial statements

San Lorenzo Valley Water District
Notes to the Financial Statements
For the Fiscal Years Ended June 30, 2021 and 2020

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 approximately 7,900 customers with water service and 56 customers with sewer service 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, 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 performed 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 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.

San Lorenzo Valley Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2021 and 2020

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

C. Financial Reporting, continued

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.

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. Uncertainty

The COVID-19 outbreak in the United States has caused business disruption through labor shortages and closings of businesses. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the disruption. However, the related financial impact on the District and the duration cannot be estimated at this time.

3. 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.

4. Investments and Investment Policy

The District has adopted an investment policy 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.

5. 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.

San Lorenzo Valley Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2021 and 2020

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

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

6. 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.

7. 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 Office 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

8. 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.

9. 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.

10. Capital Assets

Capital assets acquired and/or constructed are capitalized at historical cost. District policy has set the capitalization threshold for reporting capital assets at \$5,000. Donated assets are recorded at 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

San Lorenzo Valley Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2021 and 2020

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

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

11. Deferred Outflows of Resources

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

12. Construction Advances and Deposits

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

13. 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.

14. Deferred Inflows of Resources

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

15. Pensions

For the purpose of measuring net pension liability, deferred outflows/inflows of resources related to pension, pension expense, and 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 2021 and 2020, the following timeframes are used:

- Valuation dates: June 30, 2019 and 2018
- Measurement dates: June 30, 2020 and 2019
- Measurement periods: July 1, 2019 to June 30, 2020; and July 1, 2018 to June 30, 2019

16. Water and Sewer Sales

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

17. Capital Contributions

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

San Lorenzo Valley Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2021 and 2020

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

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

18. Net Position

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

- **Net investment in capital assets** – consists of capital assets, net of accumulated depreciation and reduced by any outstanding debt against the acquisition, construction, or improvement of those assets.
- **Restricted** – 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** – consists of net position that does not meet the definition of *restricted* or *net investment in capital assets* components of net position.

19. 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.

Note 2 Cash and Investments

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

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 848,935	1,488,104
Cash and cash equivalents – restricted	24,278,757	14,304,537
Investments – current	<u>4,085,651</u>	<u>3,969,393</u>
Total cash and investments	<u>\$ 29,213,343</u>	<u>19,762,034</u>

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

	<u>2021</u>	<u>2020</u>
Cash on hand	\$ 297	306
Deposits with financial institutions	764,719	605,850
Investments	<u>28,448,327</u>	<u>19,155,878</u>
Total cash and investments	<u>\$ 29,213,343</u>	<u>19,762,034</u>

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

	<u>2021</u>	<u>2020</u>
Deposits held with the California Local Agency Investment Fund	291 days	191 days
Deposits held with the County of Santa Cruz Investment Fund	439 days	366 days

San Lorenzo Valley Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2021 and 2020

Note 2 Cash and Investments, continued

As of June 30, 2021, the District's investment was allocated as follows:

<u>Investment Type</u>	<u>2021</u>	<u>Percent Allocation</u>
Local Agency Investment Fund	\$ 83,920	0.29 %
County of Santa Cruz Investment Fund	28,065,439	98.65
Held by bond trustee:		
Money market funds	<u>298,968</u>	<u>1.05</u>
Total	<u>\$ 28,448,327</u>	<u>100.00 %</u>

As of June 30, 2020, the District's investment was allocated as follows:

<u>Investment Type</u>	<u>2020</u>	<u>Percent Allocation</u>
Local Agency Investment Fund	\$ 881,948	4.60 %
County of Santa Cruz Investment Fund	17,990,420	93.92
Held by bond trustee:		
Money market funds	<u>283,510</u>	<u>1.48</u>
Total	<u>\$ 19,155,878</u>	<u>100.00 %</u>

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

San Lorenzo Valley Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2021 and 2020

Note 2 Cash and Investments, continued

Custodial Credit Risk

The custodial credit risk for *deposits* is the risk that, in the event of 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 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).

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, 2021 and 2020, 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 million or more require 24 hours advance.
- Prior to funds transfer, an authorized person must call LAIF to do a verbal transaction.

San Lorenzo Valley Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2021 and 2020

Note 2 Cash and Investments, continued

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.

Interest Rate Risk

Interest rate risk is the risk that the change 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 the 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, 2021, the District's investments are scheduled to mature as follows:

Investment Type	Total	Remaining Maturity (12 Months or Less)
Local Agency Investment Fund	\$ 83,920	83,920
County of Santa Cruz Investment Fund	28,065,439	28,065,439
Held by bond trustee:		
Money market funds	298,968	298,968
Total	\$ <u>28,448,327</u>	<u>28,448,327</u>

San Lorenzo Valley Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2021 and 2020

Note 2 Cash and Investments, continued

Interest Rate Risk, continued

As of June 30, 2020, the District's investments are scheduled to mature as follows:

Investment Type	Total	Remaining Maturity (12 Months or Less)
Local Agency Investment Fund	\$ 881,948	881,948
County of Santa Cruz Investment Fund	17,990,420	17,990,420
Held by bond trustee:		
Money market funds	283,510	283,510
Total	\$ 19,155,878	19,155,878

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 years ended for each investment type.

Credit ratings as of June 30, 2021, were as follows:

Investment Type	Total	Minimum Legal Rating	Exempt From Disclosure	Rating At Year End (Not Rated)
Local Agency Investment Fund	\$ 83,920	N/A	-	83,920
County of Santa Cruz Investment Fund	28,065,439	N/A	-	28,065,439
Held by bond trustee:				
Money market funds	298,968	AAA	298,968	-
Total	\$ 28,448,327		298,968	28,149,359

Credit ratings as of June 30, 2020, were as follows:

Investment Type	Total	Minimum Legal Rating	Exempt From Disclosure	Rating At Year End (Not Rated)
Local Agency Investment Fund	\$ 881,948	N/A	-	881,948
County of Santa Cruz Investment Fund	17,990,420	N/A	-	17,990,420
Held by bond trustee:				
Money market funds	283,510	AAA	283,510	-
Total	\$ 19,155,878		283,510	18,872,368

San Lorenzo Valley Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2021 and 2020

Note 2 Cash and Investments, continued

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, 2021 and 2020.

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, 2021, the District's participation in the jointly governed organization consists of the following balance:

	<u>2020</u>	<u>Additions</u>	<u>Deletion</u>	<u>2021</u>
Santa Margarita Groundwater Agency	\$ 21,681	325,129	(294,621)	52,189

As of June 30, 2020, the District's participation in the jointly governed organization consists of the following balance:

	<u>2019</u>	<u>Additions</u>	<u>Deletion</u>	<u>2020</u>
Santa Margarita Groundwater Agency	\$ 52,510	147,911	(178,740)	21,681

The District has recorded its interest in the joint-powers authority 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 authority.

San Lorenzo Valley Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2021 and 2020

Note 4 Capital Assets

The change in capital assets for 2021, was as follows:

	<u>Balance 2020</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 2021</u>
Non-depreciable assets:				
Land	\$ 5,107,583	89,830	-	5,197,413
Construction-in-process	<u>4,021,555</u>	<u>7,915,009</u>	<u>(4,772,177)</u>	<u>7,164,387</u>
Total non-depreciable assets	<u>9,129,138</u>	<u>8,004,839</u>	<u>(4,772,177)</u>	<u>12,361,800</u>
Depreciable assets:				
Water transmission and distribution	55,618,752	3,636,532	(890,564)	58,364,720
Wastewater system	1,428,103	-	-	1,428,103
Buildings and structures	2,929,197	-	-	2,929,197
Transportation equipment	1,146,140	129,268	(65,839)	1,209,569
Field and shop equipment	1,373,900	569,335	-	1,943,235
Office equipment	<u>502,206</u>	<u>-</u>	<u>-</u>	<u>502,206</u>
Total depreciable assets	<u>62,998,298</u>	<u>4,335,135</u>	<u>(956,403)</u>	<u>66,377,030</u>
Accumulated depreciation:				
Water transmission and distribution	(28,589,642)	(1,328,407)	884,802	(29,033,247)
Wastewater system	(1,141,242)	(42,000)	-	(1,183,242)
Buildings and structures	(1,711,504)	(93,152)	-	(1,804,656)
Transportation equipment	(948,239)	(87,330)	65,839	(969,730)
Field and shop equipment	(714,879)	(130,264)	-	(845,143)
Office equipment	<u>(453,028)</u>	<u>(46,901)</u>	<u>-</u>	<u>(499,929)</u>
Total accumulated depreciation	<u>(33,558,534)</u>	<u>(1,728,054)</u>	<u>950,641</u>	<u>(34,335,947)</u>
Total depreciable assets, net	<u>29,439,764</u>	<u>2,607,081</u>	<u>(5,762)</u>	<u>32,041,083</u>
Total capital assets, net	<u>\$ 38,568,902</u>			<u>44,402,883</u>

In fiscal year 2021, total depreciation expense of \$1,728,054 was charged to the District's water and sewer funds in the amount of \$1,686,053 and \$42,001, respectively.

San Lorenzo Valley Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2021 and 2020

Note 4 Capital Assets, continued

	Balance 2019	Additions	Deletions/ Transfers	Balance 2020
Non-depreciable assets:				
Land	\$ 5,107,583	-	-	5,107,583
Construction-in-process	4,092,818	4,747,113	(4,818,376)	4,021,555
Total non-depreciable assets	9,200,401	4,747,113	(4,818,376)	9,129,138
Depreciable assets:				
Water transmission and distribution	50,963,667	4,655,085	-	55,618,752
Wastewater system	1,428,103	-	-	1,428,103
Buildings and structures	2,929,197	-	-	2,929,197
Transportation equipment	1,180,044	-	(33,904)	1,146,140
Field and shop equipment	1,217,849	156,051	-	1,373,900
Office equipment	494,966	7,240	-	502,206
Total depreciable assets	58,213,826	4,818,376	(33,904)	62,998,298
Accumulated depreciation:				
Water transmission and distribution	(27,393,008)	(1,196,634)	-	(28,589,642)
Wastewater system	(1,099,241)	(42,001)	-	(1,141,242)
Buildings and structures	(1,615,356)	(96,148)	-	(1,711,504)
Transportation equipment	(892,962)	(87,467)	32,190	(948,239)
Field and shop equipment	(604,234)	(110,645)	-	(714,879)
Office equipment	(403,553)	(49,475)	-	(453,028)
Total accumulated depreciation	(32,008,354)	(1,582,370)	32,190	(33,558,534)
Total depreciable assets, net	26,205,472	3,236,006	(1,714)	29,439,764
Total capital assets, net	\$ 35,405,873			38,568,902

In fiscal year 2020, total depreciation expense of \$1,582,370 was charged to the District's water and sewer funds in the amount of \$1,540,370 and \$42,000, respectively.

San Lorenzo Valley Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2021 and 2020

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>2021</u>	<u>2020</u>
Admin Campus (inactive)	\$ 1,015,535	1,015,535
Bear Creek Wastewater	88,010	88,010
California Drive Pipeline Project	-	88,747
Quail Hollow Pipeline Project	121,578	-
Fish Ladder	575,834	473,087
Hillside Drive Pipeline Project	-	65,172
Kaski tank	858,990	119,032
Lewis Tank	1,143,152	542,551
Lyon Pipeline Project	219,492	188,046
Lyon Water Treatment Plant Access Road Repair	206,137	152,365
Madrone Tank	954,404	299,890
Mobile Generator No. 9	-	106,597
Mobile Generator No. 10	-	106,603
Glen Arbor Bridge South	52,658	-
Habitat Conservation Plan	59,633	-
Alta Via Road Main	131,034	-
Eckley Tank Zone	188,169	-
Foreman Creek Intake/Raw Water	606,010	-
Five Mile Pipeline	84,884	-
Lyon Tank	129,267	-
Swim Tank	239,092	221,575
Water Master Plan	103,290	63,525
Various individual projects under \$50,000	<u>387,218</u>	<u>490,820</u>
Construction-in-process	<u>\$ 7,164,387</u>	<u>4,021,555</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 are recorded as a liability on the Statements of Net Position and will be liquidated through the water fund.

The change in compensated absences for the year ended June 30, 2021, are as follows:

<u>Balance</u> <u>2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>2021</u>	<u>Due within</u> <u>One Year</u>	<u>Due in more</u> <u>than one year</u>
\$ 570,289	473,369	(409,549)	634,109	228,279	405,830

The change in compensated absences for the year ended June 30, 2020, are as follows:

<u>Balance</u> <u>2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>2020</u>	<u>Current</u> <u>Portion</u>	<u>Due in more</u> <u>than one year</u>
\$ 539,253	413,114	(382,078)	570,289	205,304	364,985

San Lorenzo Valley Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2021 and 2020

Note 6 Long-Term Debt

The change in long-term debt for the year ended June 30, 2021, are as follows:

	Balance 2020	Transfer/ Additions	Transfer/ Payments	Balance 2021	Current Portion	Long-Term Portion
Loans payable:						
CoBank, ACB	\$ -	15,000,000	-	15,000,000	592,284	14,407,716
Felton Safe Drinking Water Loan	1,196,283	-	(158,863)	1,037,420	162,686	874,734
State of California Revolving Fund Loan	1,394,524	-	(68,399)	1,326,125	70,613	1,255,512
Capital One Loan	1,949,284	-	(71,820)	1,877,464	74,831	1,802,633
Government Obligation Contract	220,067	-	(31,446)	188,621	32,617	156,004
Total loans payable	<u>4,760,158</u>	<u>15,000,000</u>	<u>(330,528)</u>	<u>19,429,630</u>	<u>933,031</u>	<u>18,496,599</u>
Bonds payable						
Bank of Nevada Refunding Bonds	597,778	-	(494,531)	103,247	103,247	-
Total bonds payable	<u>597,778</u>	<u>-</u>	<u>(494,531)</u>	<u>103,247</u>	<u>103,247</u>	<u>-</u>
Certificate-of-participation						
Revenue Series 2019	14,025,000	-	(230,000)	13,795,000	245,000	13,550,000
Premium	862,705	-	(29,578)	833,127	-	833,127
Total certificate-of-participation	<u>14,887,705</u>	<u>-</u>	<u>(259,578)</u>	<u>14,628,127</u>	<u>245,000</u>	<u>14,383,127</u>
Obligation under capital lease:						
Capital lease payable	46,859	-	(23,926)	22,933	22,828	105
Total capital lease payable	<u>46,859</u>	<u>-</u>	<u>(23,926)</u>	<u>22,933</u>	<u>22,828</u>	<u>105</u>
Total long-term debt payable	<u>20,292,500</u>	<u>15,000,000</u>	<u>(1,108,563)</u>	<u>34,183,937</u>	<u>1,304,106</u>	<u>32,879,831</u>
Less: current portion	<u>(1,108,563)</u>			<u>(1,304,106)</u>		
Non-current portion	<u>\$ 19,183,937</u>			<u>32,879,831</u>		

The changes in long-term debt for the year ended June 30, 2020, are as follows:

	Balance 2019	Additions	Payments	Balance 2020	Current Portion	Long-Term Portion
Loans payable:						
Felton Safe Drinking Water Loan	\$ 1,351,293	-	(155,010)	1,196,283	158,863	1,037,420
State of California Revolving Fund Loan	1,461,621	-	(67,097)	1,394,524	68,833	1,325,691
Capital One Loan	2,000,000	-	(50,716)	1,949,284	71,820	1,877,464
Government Obligation Contract	250,379	-	(30,312)	220,067	31,443	188,624
Total loans payable	<u>5,063,293</u>	<u>-</u>	<u>(303,135)</u>	<u>4,760,158</u>	<u>330,959</u>	<u>4,429,199</u>
Bonds payable						
Bank of Nevada Refunding Bonds	1,179,809	-	(582,031)	597,778	494,531	103,247
Total bonds payable	<u>1,179,809</u>	<u>-</u>	<u>(582,031)</u>	<u>597,778</u>	<u>494,531</u>	<u>103,247</u>
Certificate-of-participation						
Revenue Series 2019	-	14,025,000	-	14,025,000	230,000	13,795,000
Premium	-	887,354	(24,649)	862,705	-	862,705
Total certificate-of-participation	<u>-</u>	<u>14,912,354</u>	<u>(24,649)</u>	<u>14,887,705</u>	<u>230,000</u>	<u>14,657,705</u>
Obligation under capital lease:						
Capital lease payable	70,019	-	(23,160)	46,859	24,031	22,828
Total capital lease payable	<u>70,019</u>	<u>-</u>	<u>(23,160)</u>	<u>46,859</u>	<u>24,031</u>	<u>22,828</u>
Total long-term debt payable	<u>6,313,121</u>	<u>14,912,354</u>	<u>(932,975)</u>	<u>20,292,500</u>	<u>1,079,521</u>	<u>19,212,979</u>
Less: current portion	<u>(932,975)</u>			<u>(1,079,521)</u>		
Non-current portion	<u>\$ 5,380,146</u>			<u>19,212,979</u>		

San Lorenzo Valley Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2021 and 2020

Note 6 Long-Term Debt, continued

Installment Purchase Agreement

In March 2021, the District and CoBank, ACB entered into an installment purchase agreement for the purpose of financing the acquisition, design, and construction of certain improvements to the District's water system totaling \$15 million. The terms of the agreement state an interest rate of 2.40%, maturing on March 20, 2041. The District makes semi-annual payments of \$474,376, including principal and interest on September 20th and March 20th each year.

Annual debt service requirements for the loan are as follows:

<u>Year</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$	592,284	367,467	959,751
2023		606,584	342,167	948,751
2024		621,229	327,522	948,751
2025		636,228	312,523	948,751
2026		651,589	297,162	948,751
2027-2031		3,501,662	1,242,095	4,743,757
2032-2036		3,945,294	798,463	4,743,757
2037-2041		4,445,130	298,627	4,743,757
Total		15,000,000	3,986,026	18,986,026
Current		(592,284)		
Non-current	\$	14,407,716		

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 1st and January 1st each year.

Annual debt service requirements for the loan are as follows:

<u>Year</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$	162,686	24,112	186,798
2023		166,642	20,155	186,797
2024		170,674	16,122	186,796
2025		174,864	11,933	186,797
2026		179,099	7,698	186,797
2027		183,455	3,342	186,797
Total		1,037,420	83,362	1,120,782
Current		(162,686)		
Non-current	\$	874,734		

San Lorenzo Valley Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2021 and 2020

Note 6 Long-Term Debt, continued

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 1st and January 1st.

Annual debt service requirements for the loan are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 70,613	33,619	104,232
2023	72,440	31,793	104,233
2024	74,313	29,919	104,232
2025	76,236	27,997	104,233
2026	78,207	26,025	104,232
2027-2031	422,447	98,718	521,165
2032-2036	479,980	41,184	521,164
2037	51,889	661	52,550
Total	1,326,125	289,916	1,616,041
Current	(70,613)		
Non-current	\$ 1,255,512		

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 matures on September 1, 2038. The District makes semi-annual payments of \$75,989, including principal and interest on September 1st and March 1st.

Annual debt service requirements for the loan are as follows:

San Lorenzo Valley Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2021 and 2020

<u>Year</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$	74,831	70,739	145,570
2023		77,969	67,333	145,302
2024		81,238	63,784	145,022
2025		84,645	60,086	144,731
2026		88,194	56,233	144,427
2027-2031		499,641	217,469	717,110
2032-2036		613,553	93,804	707,357
2037-2039		<u>357,393</u>	<u>152,700</u>	<u>510,093</u>
Total		1,877,464	<u>782,148</u>	<u>2,659,612</u>
Current		<u>(74,831)</u>		
Non-current	\$	<u>1,802,633</u>		

San Lorenzo Valley Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2021 and 2020

Note 6 Long-Term Debt, continued

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>
2022	\$	32,617	6,377	38,994
2023		33,834	5,160	38,994
2024		35,097	3,897	38,994
2025		36,407	2,587	38,994
2026		37,766	1,228	38,994
2027		12,900	99	12,999
Total		188,621	19,348	207,969
Current		(32,617)		
Non-current	\$	156,004		

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 1st and March 1st. 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>
2022	\$	103,247	1,345	104,592
Total		103,247	1,345	104,592
Current		(103,247)		
Non-current	\$	-		

San Lorenzo Valley Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2021 and 2020

Note 6 Long-Term Debt, continued

Revenue Series 2019 Certificate of Participation

On August 1, 2019, the District executed and delivered a certificate of participation at a rate ranging from 4.0% to 5.0%. The proceeds from the sale of the certificate will be used to finance the acquisition and construction of certain water storage and transmission facilities of the District's water and wastewater system. The District makes payments of principal and interest on September 1st commencing on September 1, 2020 and maturing on September 1, 2049.

Annual debt service requirements for the bond are as follows:

<u>Year</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$	245,000	507,975	752,975
2023		260,000	495,350	755,350
2024		270,000	482,100	752,100
2025		285,000	468,225	753,225
2026		300,000	453,600	753,600
2027-2031		1,735,000	2,023,775	3,758,775
2032-2036		2,155,000	1,606,650	3,761,650
2037-2041		2,625,000	1,133,075	3,758,075
2042-2046		3,095,000	661,125	3,756,125
2047-2050		2,825,000	172,725	2,997,725
Total		13,795,000	8,004,600	21,799,600
Premium		833,127		
Current		<u>(245,000)</u>		
Non-current	\$	<u>14,383,127</u>		

Capital Lease

On May 31, 2017, the District entered into a municipal lease purchase agreement (agreement) with Leasource Financial Services, Inc. to purchase 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>
2022	\$	22,933	375	23,308
Total		22,933	375	23,308
Current		<u>(22,933)</u>		
Non-current	\$	<u>-</u>		

San Lorenzo Valley Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2021 and 2020

Note 7 Other Post-Employment Benefits

Plan Description

The District's defined benefit Other Post-Employment Benefit (OPEB) Plan (Plan) provides lifetime retiree medical coverage to eligible employees who retire from the District with a CalPERS Pension. Coverage is extended to dependents and surviving spouses of eligible retirees. The Plan is a single-employer defined benefit OPEB plan administered by the District. The medical plan benefits are contracted with the California Public Employees' Retirement System under the Public Employees' Medical and Hospital Care Act (PEMHCA). 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 of 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 (0.27% and 0.23% for the years ended June 30, 2021 and 2020, respectively).

Employee Covered by Benefit Terms

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

	<u>2021</u>	<u>2020</u>
Participating active employees	35	35
Inactive employees or beneficiaries currently receiving benefit payments	<u>7</u>	<u>7</u>
Total plan membership	<u>42</u>	<u>42</u>

Total OPEB Liability

The District's total OPEB liability of \$2,128,882 and \$1,990,505 was measured as of June 30, 2021 and 2020, respectively, and was determined by an actuarial valuation as June 30, 2020.

San Lorenzo Valley Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2021 and 2020

Note 7 Other Post-Employment Benefits, continued

Actuarial Assumptions and Other Inputs

As of June 30, 2021 and 2020, the total OPEB liability in the actuarial valuations was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.26%
Salary increases	3.25%
Discount rate	2021: 2.16% 2020: 2.21%
Healthcare cost trend rates	6.85% for 2022 decreasing 0.25% until 4.60% in 2031, and then 4.50% for years 2032 and later
Retirees share of benefit-related cost	See benefit provisions

For the years ended June 30, 2021 and 2020, the discount rate was based on a yield or index for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or better for benefits not covered by plan assets.

Pre-retirement and post-retirement mortality rates were based on the CalPERS 2017 Mortality Table.

Changes in the Total OPEB Liability

	<u>2021</u>	<u>2020</u>
Balance at beginning of year	\$ 1,990,505	1,138,893
Changes during the year:		
Service cost	124,074	87,353
Interest cost	46,201	37,710
Difference between expected and actual experience	(3,087)	43,911
Contributions - employer	(48,310)	(43,216)
Change in assumptions	19,499	725,854
Net change	138,377	851,612
Balance at end of year	\$ <u>2,128,882</u>	<u>1,990,505</u>

No changes of benefit terms were noted for the years ended June 30, 2021 and 2020.

In fiscal year 2021, change in assumptions include the change in discount rate from 2.21% as of June 30, 2020 to 2.16% as of June 30, 2021. There have been no other assumption changes since the last measurement date.

San Lorenzo Valley Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2021 and 2020

Note 7 Other Post-Employment Benefits, continued

Changes in the Total OPEB Liability, continued

In fiscal year 2020, change of assumptions and other inputs reflect a change in the average per capita claims cost which was updated to reflect actual 2020 and 2021 premiums, the health care cost trend rate was updated to reflect 2018 industry survey data, the mortality, withdrawal, disablement, and retirement tables was updated to reflect the 2017 CalPERS studies. The population for curving and morbidity factors have also been updated to the 2017 CalPERS study. The discount rate changed from 3.13% as of June 30, 2019 to 2.21% as of June 30, 2020. Other assumptions due to change in actuaries may include future retiree participation assumption and PEMHCA Minimum trend.

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, 2021:

	Discount Rate - 1% 1.16%	Current Discount Rate 2.16%	Discount Rate + 1% 3.16%
Total OPEB liability	\$ 2,574,132	2,128,882	1,783,372

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, 2020:

	Discount Rate - 1% 1.21%	Current Discount Rate 2.21%	Discount Rate + 1% 3.21%
Total OPEB liability	\$ 2,405,230	1,990,505	1,668,507

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 a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate as of June 30, 2021:

	1% Decrease from Base Rate	Base Rate	1% Increase from Base Rate
Net OPEB Liability	\$ 1,951,961	2,128,882	2,360,468

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 healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate as of June 30, 2020:

	1% Decrease from Base Rate	Base Rate	1% Increase from Base Rate
Net OPEB Liability	\$ 1,825,369	1,990,505	2,206,507

San Lorenzo Valley Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2021 and 2020

Note 7 Other Post-Employment Benefits, continued

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

For the years ended June 30, 2021 and 2020, the District recognized OPEB expense of \$234,060 and \$187,522, respectively. As of June 30, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Description	2021		2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 36,805	(2,838)	40,358	-
Changes in assumptions	650,548	(19,150)	696,201	(23,821)
Total	<u>\$ 687,353</u>	<u>(21,988)</u>	<u>736,559</u>	<u>(23,821)</u>

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 Outflows(Inflows) of Resources
2021	\$ 63,785
2022	63,785
2023	63,785
2024	63,785
2025	67,990
Thereafter	342,235

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 the 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, 2021 and 2020

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. 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 on 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, are summarized as follows:

	2021		2020	
	Classic	PEPRA	Classic	PEPRA
Hire date	Prior to January 1, 2011	On or after January 1, 2013	Prior to January 1, 2011	On or after January 1, 2013
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 - 62	50 - 55	52 - 62
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	6.91%	6.75%	6.91%	6.75%
Required employer contribution rates	10.48%	7.73%	9.68%	6.99%

Contributions

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

Net Pension Liability

As of June 30, 2021 and 2020, the District reported net pension liability for its proportionate share of the net pension liability of the Plan as follows:

	2021	2020
Proportionate share of net pension liability \$	<u>4,530,116</u>	<u>4,158,344</u>

San Lorenzo Valley Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2021 and 2020

Note 8 Defined Benefit Pension Plan, continued

Net Pension Liability, continued

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, 2021 and 2020, the net pension liability of the Plan is measured as of June 30, 2020 and 2019 (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, 2019 and 2018 (the valuation dates), rolled forward to June 30, 2020 and 2019, 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, 2020 and 2019, was as follows:

	<u>Miscellaneous</u>
Proportion – June 30, 2018	0.03949 %
Change in proportion	<u>0.00109</u>
Proportion – June 30, 2019	0.04058
Change in proportion	<u>0.00105</u>
Proportion – June 30, 2020	<u><u>0.04164 %</u></u>

Deferred Pension Outflows (Inflows) of Resources

For the years ended June 30, 2021 and 2020, the District recognized pension expense of \$1,006,347 and \$918,083, respectively. As of June 30, 2021 and 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

<u>Description</u>	<u>2021</u>		<u>2020</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 651,671	-	544,811	-
Differences between actual and expected experience	233,449	-	266,438	-
Change in assumptions	-	(32,311)	127,997	-
Net difference between projected and actual earnings on plan investments	134,574	-	-	(72,700)
Adjustment due to difference in proportions and difference between actual and proportionate share of contributions	<u>-</u>	<u>(13,019)</u>	<u>-</u>	<u>(81,313)</u>
Total	\$ <u><u>1,019,694</u></u>	<u><u>(45,330)</u></u>	<u><u>939,246</u></u>	<u><u>(154,013)</u></u>

San Lorenzo Valley Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2021 and 2020

Note 8 Defined Benefit Pension Plan, continued

Deferred Pension Outflows (Inflows) of Resources, continued

As of June 30, 2021 and 2020, the District reported \$651,671 and \$544,811, 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, 2021, will be recognized as a reduction of the net pension liability for the year ended June 30, 2022. Pension contributions subsequent to the measurement date for the year ended June 30, 2020, was be recognized as a reduction of the net pension liability for the year ended June 30, 2021.

As of June 30, 2021, other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as pension expense as follows:

Fiscal Year Ending June 30:	Deferred Outflows/ (Inflows) of Resources
2022	\$ 55,147
2023	110,937
2024	92,064
2025	64,545

Actuarial Assumptions

The total pension liabilities in the June 30, 2019 and 2018, actuarial valuations were determined using the following actuarial assumptions and methods:

Valuation dates	June 30, 2019 and 2018
Measurement dates	June 30, 2020 and 2019
Actuarial cost method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial assumptions	
Discount rate	7.15%
Inflation	2.50%
Salary increase	Varies by entry age and service
Mortality Table*	Derived using CalPERS membership data
Period upon which actuarial Experience survey assumptions were based	1997 – 2015
Post-retirement benefit increase	Contract COLA up to 2.50% until PPPA floor on purchasing power applies; 2.50% thereafter

San Lorenzo Valley Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2021 and 2020

Note 8 Defined Benefit Pension Plan, continued

Actuarial Assumptions, continued

* The mortality table was developed based on CalPERS specific data. The table includes 15 years of mortality improvement using the 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.

Discount Rate

The discount rate used to measure the total pension liability as of June 30, 2020 and 2019, 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.

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 and forecasted information for all 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.

Asset Class	Assumed	Real Return Years 1-10	Real Return Years 11+
	Asset Allocation		
Global equity	50.00 %	4.80 %	5.98 %
Fixed income	28.00	1.00	2.62
Inflation assets	0.00	0.77	1.81
Private equity	8.00	6.30	7.23
Real assets	13.00	3.75	4.93
Liquidity	1.00	0.00	(0.92)
	<u>100.00 %</u>		

San Lorenzo Valley Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2021 and 2020

Note 8 Defined Benefit Pension Plan, continued

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

As of June 30, 2021, 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	\$ 7,220,186	4,530,116	2,307,397

As of June 30, 2020, 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	\$ 6,733,535	4,158,344	2,032,706

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 60 through 62 for the Required Supplementary Information.

San Lorenzo Valley Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2021 and 2020

Note 9 Net Position

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

	<u>2021</u>	<u>2020</u>
Net investment in capital assets:		
Capital assets, net	\$ 44,402,883	38,568,902
Loans payable	(6,112,668)	(4,760,158)
Bonds payable	(103,247)	(597,778)
Certificate of participation	(4,292,407)	(1,250,555)
Capital lease payable	<u>(22,933)</u>	<u>(46,859)</u>
Total net investment in capital assets	<u>33,871,628</u>	<u>31,913,552</u>
Restricted net position:		
Restricted for debt service	24,278,757	14,304,537
Funds from bank loan	(13,316,962)	-
Funds from certificate of participation	<u>(10,335,720)</u>	<u>(13,637,150)</u>
Total restricted net position	<u>626,075</u>	<u>667,387</u>
Unrestricted net position:		
Non-spendable net position		
Materials and supplies inventory	<u>296,125</u>	<u>283,136</u>
Total non-spendable net position	<u>296,125</u>	<u>283,136</u>
Spendable net position designated for the following purpose:		
Assessment reserve fund	<u>323,953</u>	<u>380,723</u>
Spendable net position are designated as follows:		
Unrestricted	<u>2,528,534</u>	<u>204,140</u>
Total unrestricted net position	<u>3,148,612</u>	<u>867,999</u>
Total net position	<u>\$ 37,646,315</u>	<u>33,448,938</u>

Note 10 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.

San Lorenzo Valley Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2021 and 2020

Note 10 Risk Management, continued

At June 30, 2021, 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.

Note 11 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. 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 were effective for reporting periods beginning after December 15, 2019; however, in light of the COVID-19 pandemic, the effective date has been postponed by 18 months. Earlier application is encouraged.

San Lorenzo Valley Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2021 and 2020

Note 11 Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued

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 were effective for reporting periods beginning after December 15, 2019; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

Governmental Accounting Standards Board Statement No. 91

In May 2019, 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.

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 were effective for reporting periods beginning after December 15, 2020; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged.

San Lorenzo Valley Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2021 and 2020

Note 11 Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued

Governmental Accounting Standards Board Statement No. 92

In January 2020, the GASB issued Statement No. 92 – *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements.

The requirements of this Statement were as follows: (1) The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance; (2) The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2020; (3) The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2020; and (4) The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2020; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged and is permitted by topic.

Governmental Accounting Standards Board Statement No. 93

In March 2020, the GASB issued Statement No. 93 – *Replacement of Interbank Offered Rates*. The objective of this Statement is to address accounting and financial reporting implications that result from the replacement of an IBOR. This Statement achieves that objective by: (1) Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment; (2) Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate; (3) Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable; (4) Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap; (5) Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap; (6) Clarifying the definition of reference rate, as it is used in Statement 53, as amended; and (7) Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

The requirements of this Statement were effective as follows: (1) The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021; and (2) All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020; however, in light of the COVID-19 pandemic, the effective dates have been postponed by one year. Earlier application is encouraged.

San Lorenzo Valley Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2021 and 2020

Note 11 Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued

Governmental Accounting Standards Board Statement No. 94

In March 2020, the GASB issued Statement No. 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 96

In May 2020, the GASB issued Statement No. 96 – *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

San Lorenzo Valley Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2021 and 2020

Note 11 Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued

Governmental Accounting Standards Board Statement No. 97

In June 2020, the GASB issued Statement No. 97 – *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 41 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement. The Board considered the effective dates for the requirements of this Statement in light of the COVID-19 pandemic and in concert with Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance.

Note 12 Commitments and Contingencies

Grant Awards

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

San Lorenzo Valley Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2021 and 2020

Note 12 Commitments and Contingencies, continued

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 13 Subsequent Event

Events occurring after June 30, 2021, have been evaluated for possible adjustment to the financial statements or disclosure as of December 7, 2021, 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, 2021
Last Ten Years*

Defined Benefit OPEB Plan

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability				
Service cost	\$ 124,074	87,353	66,682	69,318
Interest	46,201	37,710	36,676	30,730
Difference between expected and actual experience	(3,087)	43,911		
Assumption changes	19,499	725,854	38,770	(37,834)
Benefit payments	<u>(48,310)</u>	<u>(43,216)</u>	<u>(32,501)</u>	<u>(29,229)</u>
Net change in total OPEB liability	138,377	851,612	109,627	32,985
Total OPEB liability – beginning of year	<u>1,990,505</u>	<u>1,138,893</u>	<u>1,029,266</u>	<u>996,281</u>
Total OPEB liability – end of year	\$ <u>2,128,882</u>	<u>1,990,505</u>	<u>1,138,893</u>	<u>1,029,266</u>
Covered payroll	\$ <u>3,436,900</u>	<u>3,395,754</u>	<u>3,092,118</u>	<u>2,962,700</u>
Total OPEB liability as a percentage of covered payroll	<u>61.94%</u>	<u>58.62%</u>	<u>36.83%</u>	<u>34.74%</u>

Notes to Schedule

Change in Benefit Terms

There was no change in benefit terms.

Change of Assumptions and Methods

Change in assumptions include the change in discount rate from 2.21% as of June 30, 2020 to 2.16% as of June 30, 2021.

Change of assumptions and other inputs reflect a change in the average per capita claims cost which was updated to reflect actual 2020 and 2021 premiums, the health care cost trend rate was updated to reflect 2018 industry survey data, the mortality, withdrawal, disablement, and retirement tables was updated to reflect the 2017 CalPERS studies. The population for curving and morbidity factors have also been updated to the 2017 CalPERS study. The discount rate changed from 3.13% as of June 30, 2019 to 2.21% as of June 30, 2020. Other assumptions due to change in actuaries may include future retiree participation assumption and PEMHCA Minimum trend.

* 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, 2021
Last Ten Years*

Defined Benefit Pension Plan

Description	Measurement Dates						
	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
District's proportion of the net pension liability	0.04164%	0.04058%	0.03949%	0.04003%	0.04058%	0.03675%	0.03675%
District's proportionate share of the net pension liability	\$ 4,530,116	4,158,344	3,805,659	3,969,598	3,511,169	2,522,518	2,307,630
District's covered payroll	\$ 3,410,477	3,100,397	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	132.83%	134.12%	140.87%	157.21%	143.51%	108.77%	115.64%
Plan's fiduciary net position as a percentage of the total pension liability	75.10%	75.26%	75.26%	76.96%	78.58%	83.20%	83.03%

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

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.

Change of Assumptions and Methods

The CalPERS Board of Administration adopted a new amortization policy effective with the June 30, 2019, actuarial valuation. The new policy shortens the period over which actuarial gains and losses are amortized from 30 years to 20 years with the payments computed as a level dollar amount. In addition, the new policy does not utilize a five-year ramp-up and ramp-down on UAL bases attributable to assumption changes and non-investment gains/losses. The new

policy also does not utilize a five-year ramp-down on investment gains/losses. These changes will apply only to new UAL bases established on or after June 30, 2019. In fiscal year 2020, no changes have occurred to the actuarial assumptions in relation to financial reporting.

In fiscal year 2020, CalPERS implemented a new actuarial valuation software system for the June 30, 2018 valuation. This new system has refined and improved calculation methodology.

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%.

San Lorenzo Valley Water District
Schedules of the District's Proportionate Share of the Net Pension Liability
As of June 30, 2021
Last Ten Years*

Notes to the Schedules of the District's Proportionate Share of Net Pension Liability, continued

Change of Assumptions and Methods, continued

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.

* 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, 2021
Last Ten Years*

Defined Benefit Pension Plan

Description	Fiscal Years Ended						
	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015
Actuarially determined contribution	\$ 651,671	544,811	486,796	433,466	324,612	282,083	284,005
Contributions in relation to the actuarially determined contribution	<u>(651,671)</u>	<u>(544,811)</u>	<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>-</u>	<u>-</u>	<u>6,271</u>	<u>(198,162)</u>	<u>109,973</u>	<u>51,174</u>
District's covered payroll	<u>\$ 3,410,477</u>	<u>3,100,397</u>	<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>19.11%</u>	<u>17.57%</u>	<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.

Supplemental Information

San Lorenzo Valley Water District
Combining Schedules of Net Position
June 30, 2021 and 2020

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>2021</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>2020</u>
Current assets:						
Cash & cash equivalents	\$ 848,935	-	848,935	1,488,104	-	1,488,104
Cash & cash equivalents – restricted	24,278,757	-	24,278,757	14,304,537	-	14,304,537
Accrued interest receivable	69	-	69	3,206	-	3,206
Investments	4,085,651	-	4,085,651	3,969,393	-	3,969,393
Accounts receivable – water sales and services, net	1,896,188	-	1,896,188	1,737,057	-	1,737,057
Accounts receivable – property taxes	67	-	67	1,324	-	1,324
Accounts receivable – settlement agreement	-	-	-	-	-	-
Accounts receivable – grant funding	3,006,275	-	3,006,275	-	-	-
Accounts receivable – other	13,416	-	13,416	635	-	635
Internal balances	72,199	(72,199)	-	138,027	(138,027)	-
Prepaid expenses	76,608	344	76,952	13,761	344	14,105
Materials and supplies inventory	296,125	-	296,125	283,136	-	283,136
Total current assets	<u>34,574,290</u>	<u>(71,855)</u>	<u>34,502,435</u>	<u>21,939,180</u>	<u>(137,683)</u>	<u>21,801,497</u>
Non-current assets:						
Investments in joint-powers authorities	52,189	-	52,189	21,681	-	21,681
Capital assets – not being depreciated	12,245,578	116,222	12,361,800	9,012,916	116,222	9,129,138
Capital assets – being depreciated	31,796,222	244,861	32,041,083	29,152,902	286,862	29,439,764
Total non-current assets	<u>44,093,989</u>	<u>361,083</u>	<u>44,455,072</u>	<u>38,187,499</u>	<u>403,084</u>	<u>38,590,583</u>
Total assets	<u>78,668,279</u>	<u>289,228</u>	<u>78,957,507</u>	<u>60,126,679</u>	<u>265,401</u>	<u>60,392,080</u>
Deferred outflows of resources						
Deferred OPEB outflows	687,353	-	687,353	736,559	-	736,559
Deferred pension outflows	1,019,694	-	1,019,694	939,246	-	939,246
Total deferred outflows of resources	<u>\$ 1,707,047</u>	<u>-</u>	<u>1,707,047</u>	<u>1,675,805</u>	<u>-</u>	<u>1,675,805</u>

Continued on next page

San Lorenzo Valley Water District
Combining Schedules of Net Position, continued
June 30, 2021 and 2020

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>2021</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>2020</u>
Current liabilities:						
Accounts payable and accrued expense	\$ 917,885	2,895	920,780	946,504	952	947,456
Accrued wages and related payables	114,408	-	114,408	149,315	-	149,315
Unearned revenues – customer deposits	105,952	-	105,952	109,048	-	109,048
Unearned revenues – construction deposits	8,579	-	8,579	17,000	-	17,000
Accrued interest payable	324,155	-	324,155	206,656	-	206,656
Long-term liabilities – due in one year:						
Compensated absences	228,279	-	228,279	205,304	-	205,304
Loans payable – current	933,031	-	933,031	330,959	-	330,959
Bonds payable – current	103,247	-	103,247	494,531	-	494,531
Certificate of participation	245,000	-	245,000	230,000	-	230,000
Capital lease payable – current	22,828	-	22,828	24,031	-	24,031
Total current liabilities	<u>3,003,364</u>	<u>2,895</u>	<u>3,006,259</u>	<u>2,713,348</u>	<u>952</u>	<u>2,714,300</u>
Non-current liabilities:						
Long-term liabilities – due in more than one year:						
Compensated absences	405,830	-	405,830	364,985	-	364,985
Loans payable – non-current	18,496,599	-	18,496,599	4,429,199	-	4,429,199
Bonds payable – non-current	-	-	-	103,247	-	103,247
Certificate of participation	14,383,127	-	14,383,127	14,657,705	-	14,657,705
Capital lease payable – non-current	105	-	105	22,828	-	22,828
Net OPEB liability	2,128,882	-	2,128,882	1,990,505	-	1,990,505
Net pension liability	4,530,116	-	4,530,116	4,158,344	-	4,158,344
Total non-current liabilities	<u>39,944,659</u>	<u>-</u>	<u>39,944,659</u>	<u>25,726,813</u>	<u>-</u>	<u>25,726,813</u>
Total liabilities	<u>42,948,023</u>	<u>2,895</u>	<u>42,950,918</u>	<u>28,440,161</u>	<u>952</u>	<u>28,441,113</u>
Deferred inflows of resources						
Deferred OPEB inflows	21,988	-	21,988	23,821	-	23,821
Deferred pension inflows	45,330	-	45,330	154,013	-	154,013
Total deferred inflows of resources	<u>67,318</u>	<u>-</u>	<u>67,318</u>	<u>177,834</u>	<u>-</u>	<u>177,834</u>
Net position						
Net investment in capital assets	33,510,545	361,083	33,871,628	31,510,468	403,084	31,913,552
Restricted for debt service	626,075	-	626,075	667,387	-	667,387
Unrestricted (deficit)	<u>3,223,365</u>	<u>(74,750)</u>	<u>3,148,615</u>	<u>1,006,634</u>	<u>(138,635)</u>	<u>867,999</u>
Total net position	<u>\$ 37,359,985</u>	<u>286,333</u>	<u>37,646,318</u>	<u>33,184,489</u>	<u>264,449</u>	<u>33,448,938</u>

San Lorenzo Valley Water District
Combining Schedules of Revenues, Expenses, and Changes in Net Position
For the Years Ended June 30, 2021 and 2020

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>2021</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>2020</u>
Operating revenues:						
Water consumption sales	\$ 11,139,017	-	11,139,017	10,865,193	-	10,865,193
Wastewater service	-	161,007	161,007	-	134,148	134,148
Meter sales, charges, and penalties	157,486	-	157,486	135,129	-	135,129
Other charges and services	5,119	-	5,119	1,434	-	1,434
Total operating revenues	<u>11,301,622</u>	<u>161,007</u>	<u>11,462,629</u>	<u>11,001,756</u>	<u>134,148</u>	<u>11,135,904</u>
Operating expenses:						
Salaries and benefits	6,001,822	34,608	6,036,430	5,550,028	44,296	5,594,324
Professional services	1,787,628	35,527	1,823,155	715,378	62,178	777,556
Operational	495,502	13,661	509,163	404,444	11,228	415,672
Maintenance	199,490	1,356	200,846	198,650	1,503	200,153
Facilities	687,839	10,390	698,229	557,313	11,816	569,129
General and administrative	425,014	1,580	426,594	366,205	1,515	367,720
Total operating expenses	<u>9,597,295</u>	<u>97,122</u>	<u>9,694,417</u>	<u>7,792,018</u>	<u>132,536</u>	<u>7,924,554</u>
Operating income before overhead absorption	1,704,327	63,885	1,768,212	3,209,738	1,612	3,211,350
Overhead absorption	379,539	-	379,539	231,862	-	231,862
Operating income before depreciation expense	2,083,866	63,885	2,147,751	3,441,600	1,612	3,443,212
Depreciation expense	(1,686,053)	(42,001)	(1,728,054)	(1,540,370)	(42,000)	(1,582,370)
Operating income (loss)	<u>397,813</u>	<u>21,884</u>	<u>419,697</u>	<u>1,901,230</u>	<u>(40,388)</u>	<u>1,860,842</u>
Non-operating revenues (expenses):						
Property taxes	847,676	-	847,676	813,051	-	813,051
Assessment revenues	343,086	-	343,086	349,254	-	349,254
Investment earnings	131,657	-	131,657	333,478	-	333,478
Change in investment in Santa Margarita Groundwater Agency	(153,963)	-	(153,963)	(178,740)	-	(178,740)
Operating grant	334,681	-	334,681	-	-	-
Rental revenues	50,558	-	50,558	44,047	-	44,047
Bond issuance expense	(55,000)	-	(55,000)	(412,354)	-	(412,354)
Interest expense	(772,887)	-	(772,887)	(638,604)	-	(638,604)
Gain (Loss) on disposition of capital assets	13,706	-	13,706	1,786	-	1,786
Other non-operating revenues	6,942	-	6,942	4,426	-	4,426
Total non-operating revenues, net	<u>746,456</u>	<u>-</u>	<u>746,456</u>	<u>316,344</u>	<u>-</u>	<u>316,344</u>
Net income (loss) before capital contributions	<u>1,144,269</u>	<u>21,884</u>	<u>1,166,153</u>	<u>2,217,574</u>	<u>(40,388)</u>	<u>2,177,186</u>
Capital contributions:						
Capital grants - other governments	3,031,227	-	3,031,227	44,240	-	44,240
Total capital contributions	<u>3,031,227</u>	<u>-</u>	<u>3,031,227</u>	<u>44,240</u>	<u>-</u>	<u>44,240</u>
Changes in net position	<u>4,175,496</u>	<u>21,884</u>	<u>4,197,380</u>	<u>2,261,814</u>	<u>(40,388)</u>	<u>2,221,426</u>
Net position, beginning of year	<u>33,184,489</u>	<u>264,449</u>	<u>33,448,938</u>	<u>30,922,675</u>	<u>304,837</u>	<u>31,227,512</u>
Net position, end of year	<u>\$ 37,359,985</u>	<u>286,333</u>	<u>37,646,318</u>	<u>33,184,489</u>	<u>264,449</u>	<u>33,448,938</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.

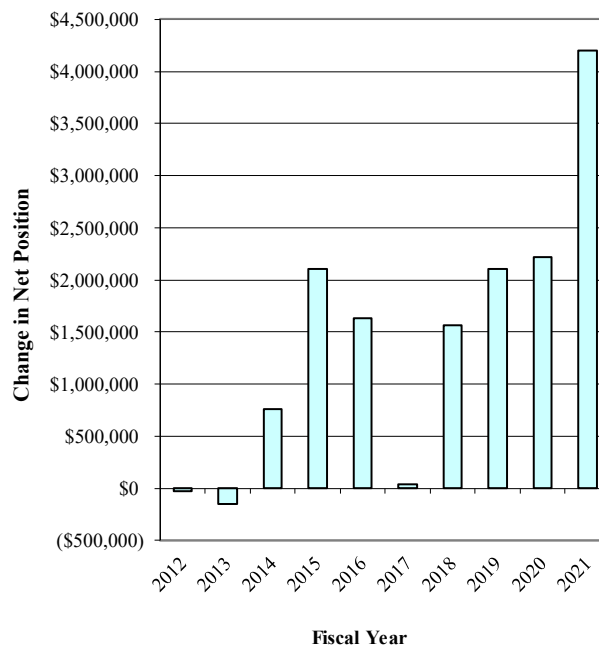
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	<u>Page No.</u>
Financial Trends	67-70
These schedules contain information to help the reader understand how the District's financial performance and well-being have changed over time.	
Revenue Capacity	71-74
These schedules contain information to help the reader assess the District's most significant own-source revenue, water sales.	
Debt Capacity	75-76
These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	
Employee Related Liabilities	77
This schedule presents information to help the reader assess the District's unfunded employee liabilities for pension and other post-employment benefits.	
Demographic Information	78
This schedule offers demographic indicators to help the reader understand the environment within which the District's financial activities take place.	
Operating Information	79-80
This schedule contains service and infrastructure data to help the reader understand how the information in the District's financial report relates to the service the District provides.	

**San Lorenzo Valley Water District
Changes in Net Position
Last Ten Fiscal Years**

Schedule 1

	Fiscal Year		
	2012	2013	2014
Changes in net position:			
Operating revenues (see Schedule 2)	5,292,035	5,544,632	5,838,488
Operating expenses (see Schedule 3)	(4,399,636)	(4,736,829)	(5,173,764)
Overhead absorption	-	48,543	132,347
Depreciation and amortization	(1,293,195)	(1,293,732)	(1,172,504)
Operating income(loss)	(400,796)	(437,386)	(375,433)
Non-operating revenues(expenses)			
Property taxes	467,181	459,834	478,632
Rental income	23,402	28,461	30,378
Assessment Revenue	-	-	-
Investment income/(loss)	233,421	(80,321)	159,023
Change in investemnt in SMGWA	-	-	-
Operating grant	-	-	-
Amortization of deferred charges	(35,021)	-	-
Gain/(Loss) on sale/disposition of assets	-	1,874	2,000
Interest expense	(352,109)	(211,233)	(295,513)
Endowment revenue (expense)	-	-	-
Other revenue/(expense), net	31,412	85,369	3,352
Total non-operating revenues(expenses), net	368,286	283,984	377,872
Net income(loss) before capital contributions	(32,510)	(153,402)	2,439
Capital contributions			753,600
Changes in net position	(32,510)	(153,402)	756,039
Net position by component:			
Net investment in capital assets	16,665,481	18,309,392	18,981,706
Restricted	653,538	355,162	168,185
Unrestricted	8,626,999	6,898,478	7,169,180
Total net position	25,946,018	25,563,032	26,319,071

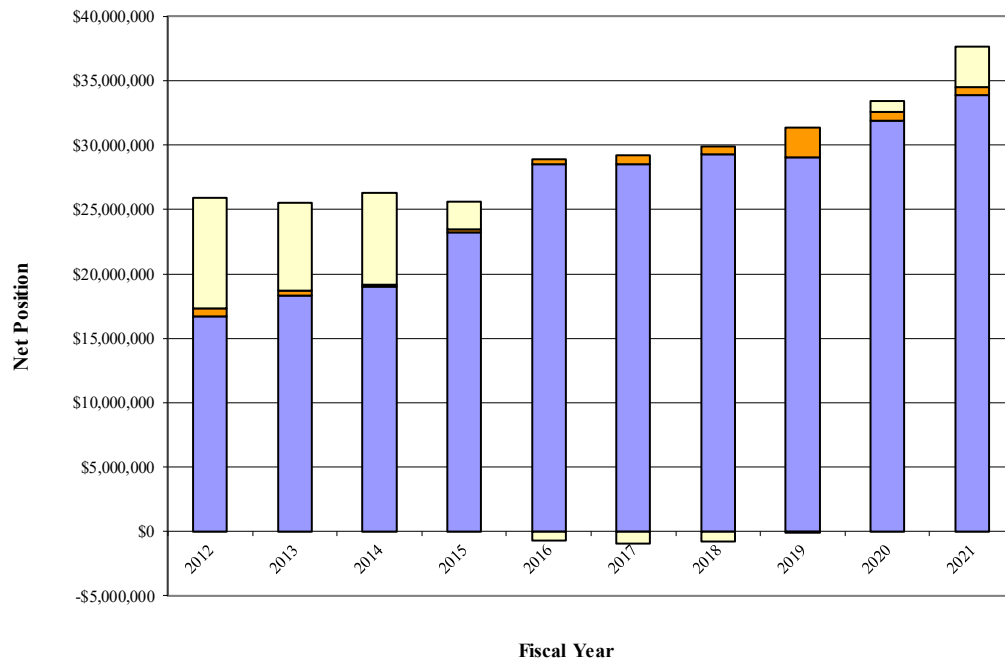


Source: SLVWD Finance Department

**San Lorenzo Valley Water District
Changes in Net Position, continued
Last Ten Fiscal Years**

Schedule 1

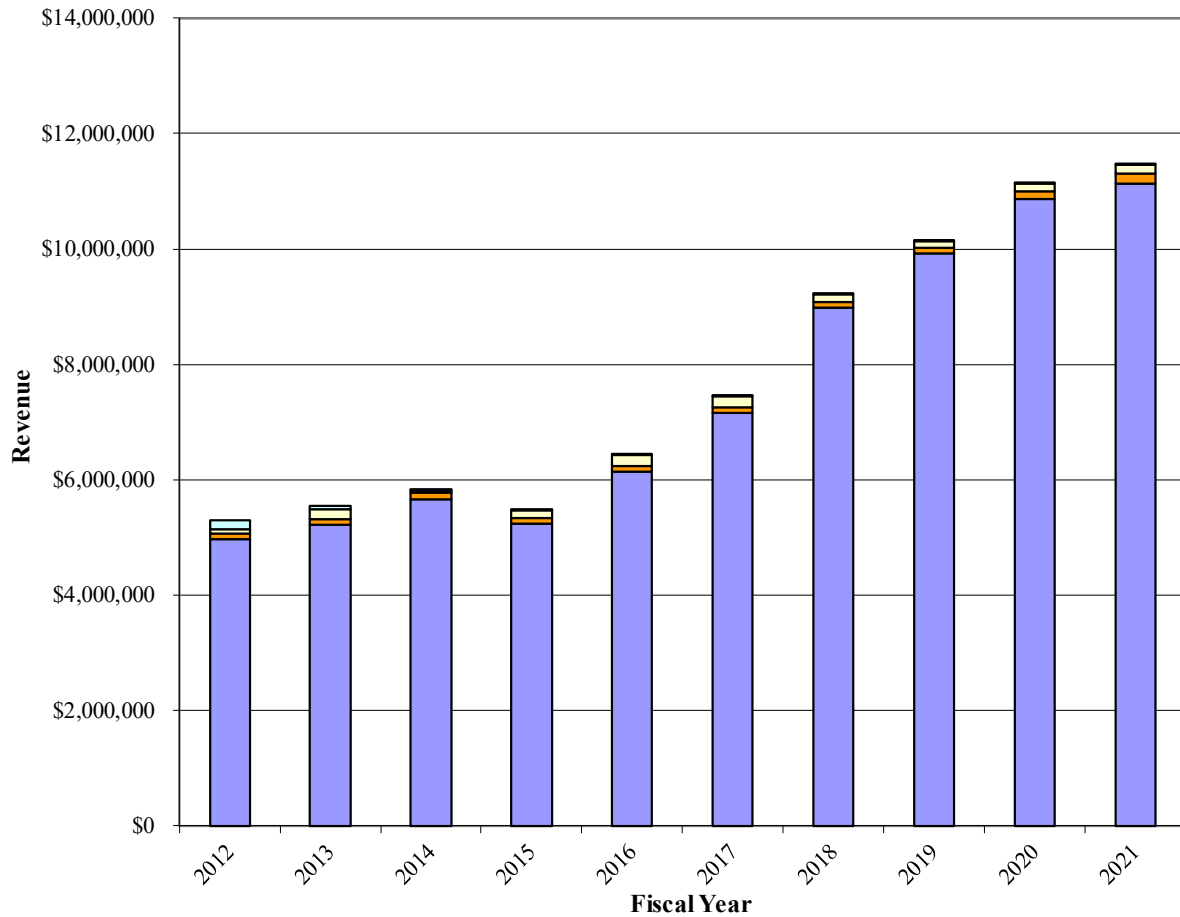
Fiscal Year						
2015	2016	2017	2018	2019	2020	2021
5,643,471	6,456,181	7,446,130	9,215,364	10,130,799	11,135,904	11,462,629
(5,552,334)	(5,560,839)	(7,109,458)	(7,591,791)	(7,341,031)	(7,924,554)	(9,694,417)
24,644	19,637	74,683	163,697	146,321	231,862	379,539
(1,139,110)	(1,326,056)	(1,417,477)	(1,640,273)	(1,563,805)	(1,582,370)	(1,728,054)
(1,023,329)	(411,076)	(1,006,122)	146,997	1,372,284	1,860,842	419,697
527,308	577,023	707,262	731,146	780,466	813,051	847,676
29,713	43,921	61,851	56,647	44,042	44,047	50,558
235,444	33,611	358,469	349,130	350,694	349,254	343,086
(1,909)	11,502	13,858	23,040	86,733	333,478	131,657
-	-	-	(39,970)	(123,148)	(178,740)	(153,963)
-	-	-	-	-	-	334,681
-	-	-	-	-	-	-
34,499	-	-	-	(320,408)	1,786	13,706
(127,850)	(185,411)	(166,204)	(150,507)	(153,662)	(638,604)	(772,887)
-	-	-	-	-	4,426	6,942
145,257	-	71,804	16,258	(89)	(412,354)	(55,000)
842,462	480,647	1,047,040	985,744	664,629	316,344	746,456
(180,867)	69,570	40,918	1,132,741	2,036,913	2,177,186	1,166,153
2,287,233	1,557,589	-	434,908	71,625	44,240	3,031,227
2,106,366	1,627,159	40,918	1,567,649	2,108,538	2,221,426	4,197,380
23,227,784	28,535,901	28,551,697	29,278,749	29,092,752	31,913,552	33,871,628
229,790	403,624	686,020	637,205	2,231,220	667,387	626,075
2,120,592	(725,008)	(982,282)	(796,980)	(96,460)	867,999	3,148,615
25,578,166	28,214,517	28,255,435	29,118,974	31,227,512	33,448,938	37,646,318



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

Schedule 2

Fiscal Year	Water Services	Wastewater Services	Meter Sales, Charges and Penalties	Other Charges and Services	Total Operating Revenue
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
2020	10,865,193	134,148	135,129	1,434	11,135,904
2021	11,139,017	161,007	157,486	5,119	11,462,629

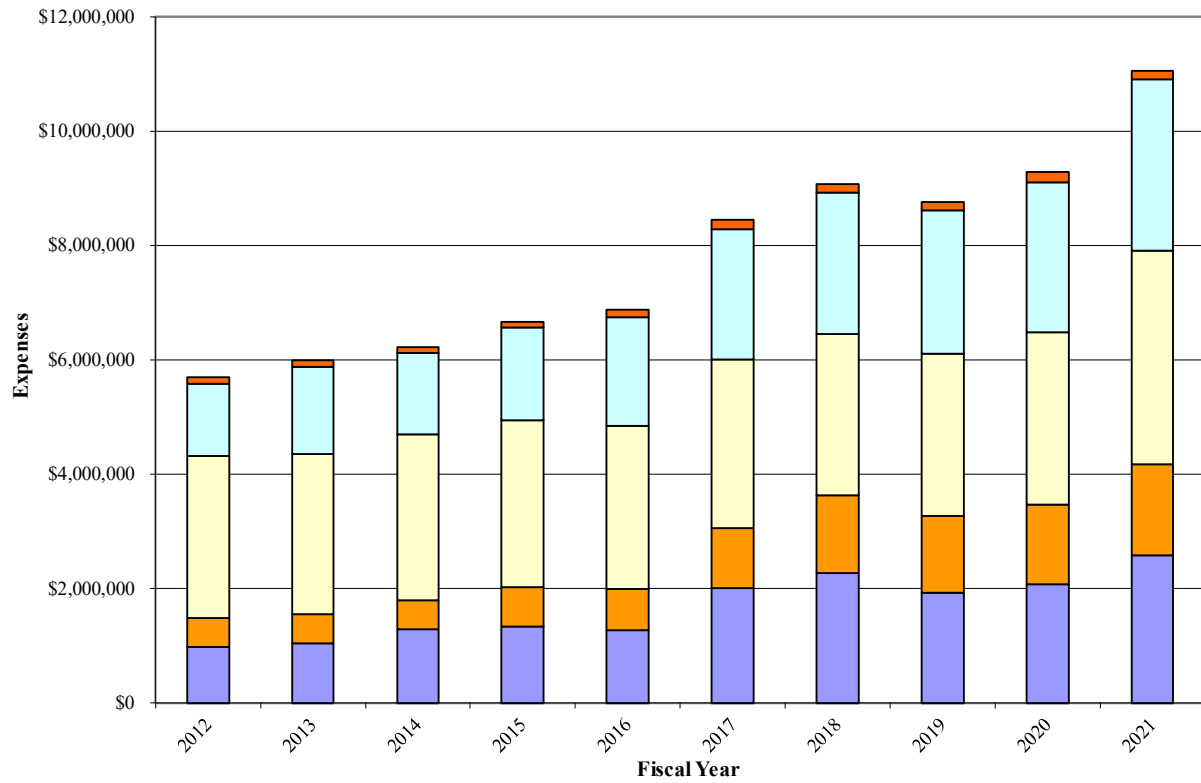


Source: SLVWD Finance Department

**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
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
2020	2,068,644	1,403,739	3,009,754	2,618,387	174,538	9,275,062
2021	2,583,602	1,590,555	3,724,751	3,004,901	139,123	11,042,932

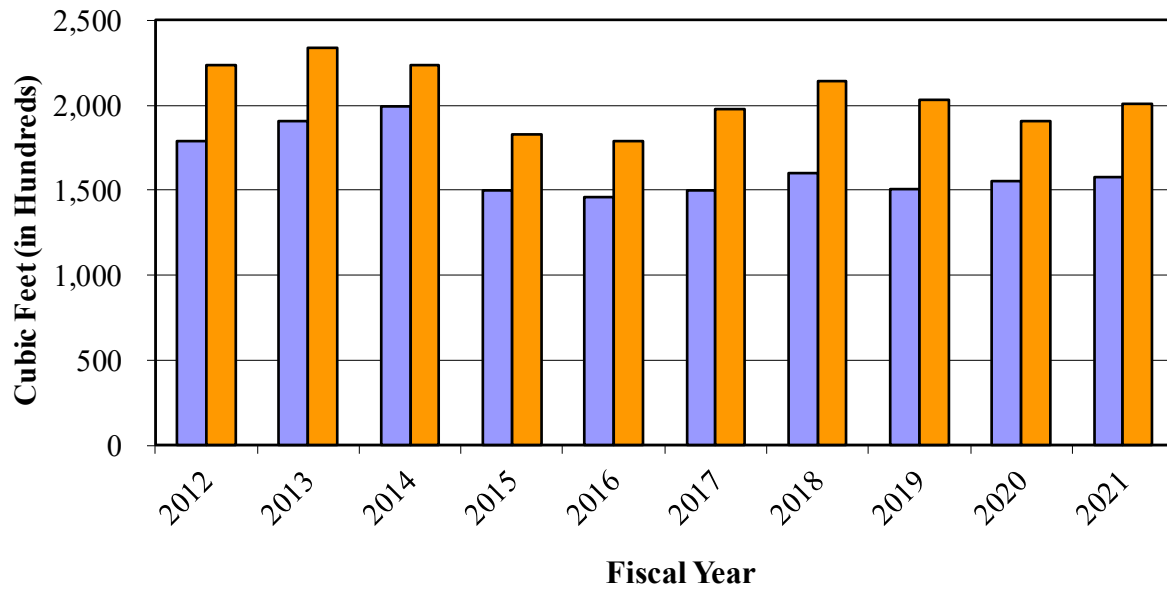


Source: SLVWD Finance Department

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

Schedule 4

Fiscal Year	Water Sales (Acre Feet)	Water Produced (Acre Feet)	% Loss
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%
2020	1,557	1,907	22%
2021	1,576	2,008	27%



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

Source: SLVWD Finance Department

San Lorenzo Valley Water District
Revenue Rates⁽¹⁾
Last Ten Fiscal Years

Schedule 5

Water Consumption Rates
Fiscal Year

		<u>2012(2)</u>	<u>2013(2)</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Residential - Tier 1 (per HCF)	\$	2,710	2,710	3,090	3,430	3,810	3,810	n/a	n/a	n/a	n/a
Residential - Tier 2 (per HCF)		3,540	3,540	4,040	4,480	4,970	4,970	n/a	n/a	n/a	n/a
Residential - Tier 3 (per HCF)		4,240	4,240	4,840	5,370	5,960	5,960	n/a	n/a	n/a	n/a
Residential - Tier 4 (per HCF)		4,590	4,590	5,360	5,950	6,610	6,610	n/a	n/a	n/a	n/a
Residential - Tier 5 (per HCF)		5,000	5,000	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Commercial/Flat (per HCF)		*	*	3,770	4.18	4.64	4.64	10.12	10.83	11.48	12.06
Wholesale - Boulder Creek (per HCF)		*	*	*	10.00	10.00	10.00	14.39	15.40	16.32	17.14

* based on residential tiers above

Ready-to-serve Fees per Month
Fiscal Year

<u>Meter Size</u>		<u>2012(2)</u>	<u>2013(2)</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
3/4" or smaller	\$	49.73	49.73	55.20	30.64	34.00	34.00	28.27	30.24	32.06	33.66
1"		82.90	82.90	92.02	51.00	56.50	56.50	42.36	45.33	48.05	50.45
1 1/2"		166.92	166.92	185.00	102.50	114.00	114.00	77.61	83.04	88.03	92.43
2"		265.68	265.68	295.00	163.50	181.50	181.50	119.91	128.30	136.00	142.80
3"		498.62	498.62	553.00	307.00	341.00	341.00	232.70	248.98	263.92	277.12
4"		829.76	829.76	921.00	511.00	567.00	567.00	359.58	384.75	407.84	428.23
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.

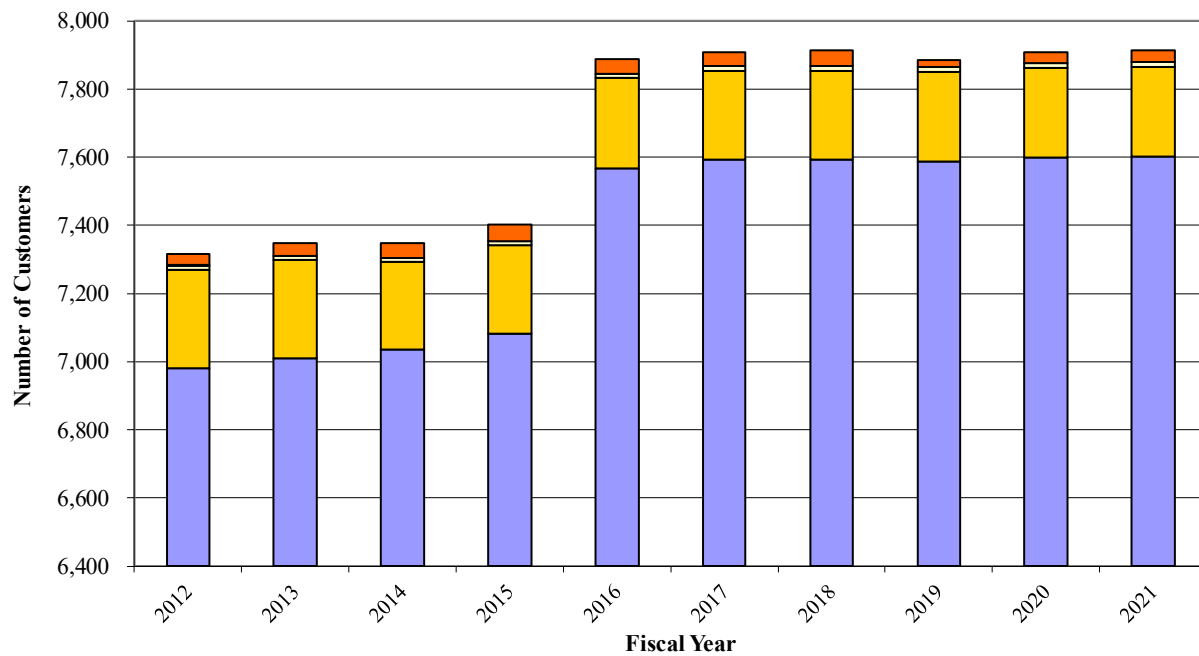
(2) Bi-Monthly Billing Rates

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	
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 ^{▼(1)}	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 ^{▼(2)}	7,885
2020	7,599	264	14	31	7,908
2021	7,601	264	13	37	7,915



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	2021		2013 ⁽¹⁾	
		Water Consumed (AF)	Percentage of Total	Water Consumed (AF)	Percentage of Total
2021-1		33	2.12%	-	0.00%
2021-2		28	1.80%	47	2.46%
2021-3		12	0.77%	14	0.73%
2021-4		10	0.64%	-	0.00%
2021-5		10	0.64%	-	0.00%
2021-6		9	0.58%	24	1.26%
2021-7		7	0.45%	12	0.63%
2021-8		7	0.45%	9	0.47%
2021-9		6	0.39%	14	0.73%
2021-10		6	0.39%	7	0.37%
Total		128	8.22%	127	6.65%
Total Water Consumed (AF)		1,557	100.00%	1,910	100.00%

AF = Acre Feet

Notes:

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

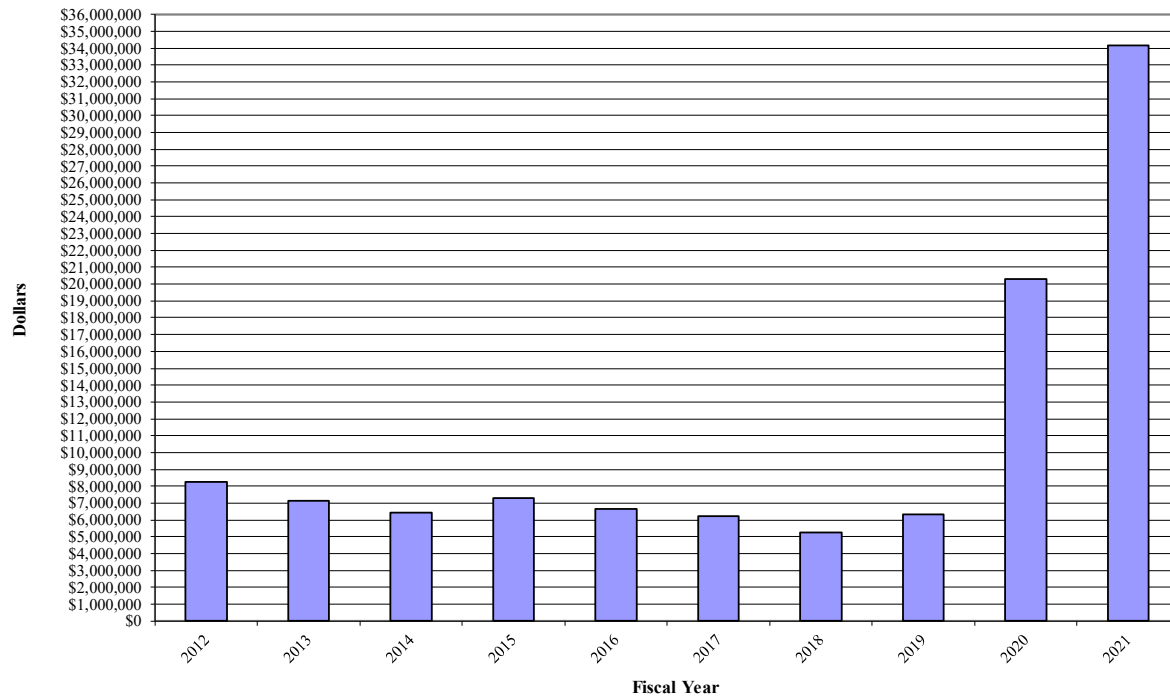
Source: SLVWD Finance Department

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

Schedule 8

Fiscal Year	COP (1)	Bonds Payable	Notes Payable	Capital Lease	Total Debt	Per Capita	As a Share of Personal Income
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	0.38%
2019		1,179,809	5,063,293	70,019	6,313,121	320.26	0.45%
2020	14,887,705	597,778	4,760,158	46,859	20,292,500	1,026.43	1.44%
2021	14,628,127	103,247	19,429,833	22,732	34,183,938	1,727.55	*

* Current data not available yet



Notes:

(1) Certificate of Participation (COP)

Source: SLVWD Finance Department

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

Schedule 9

Fiscal Year	Net Revenues	Operating Expenses⁽¹⁾	Net Available Revenues	Debt Service		Total	Coverage Ratio
				Principal	Interest		
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
2020	12,496,994	(7,924,554)	4,572,440	(908,326)	(638,604)	(1,546,930)	2.96
2021	12,681,643	(9,694,417)	2,987,226	(1,073,244)	(772,887)	(1,846,131)	1.62

Notes:

(1) Operating expenses exclude depreciation expense.

Source: SLVWD Finance Department

**San Lorenzo Valley Water District
Unfunded Employee Liabilities
Last Ten Fiscal Years***

Schedule 10

Fiscal Year	Pension (1)			OPEB		
	Employer Contributions	Total Liability	Discount Rate	Employer Contributions	Total Liability	Discount Rate
2015	223,328	2,307,630	7.50%	30,960	214,707	4.00% (2)
2016	232,831	2,522,518	7.65%	37,909	238,911	4.00%
2017	172,110	3,511,169	7.50%	37,478	262,939	4.00%
2018	522,774	3,969,598	7.15%	29,229	1,029,266	3.62% (3)
2019	427,168	3,805,659	7.15%	32,501	1,138,893	3.13%
2020	486,796	4,158,344	7.15%	43,216	1,990,505	2.21%
2021	544,811	4,530,116	7.15%	48,310	2,128,882	2.16%

Notes:

(1) For the fiscal year ended June 30, 2015 and on, the District implemented GASB 68. This improves accounting and financial reporting by state and local governments for pensions. It required the District to bring the pension liability, or surplus, onto its books.

(2) Implemented in accordance with GASB 45.

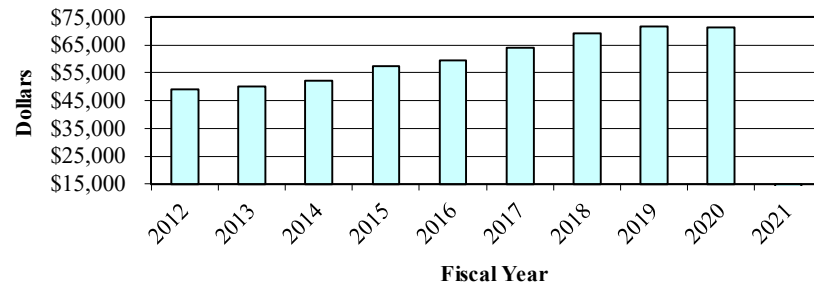
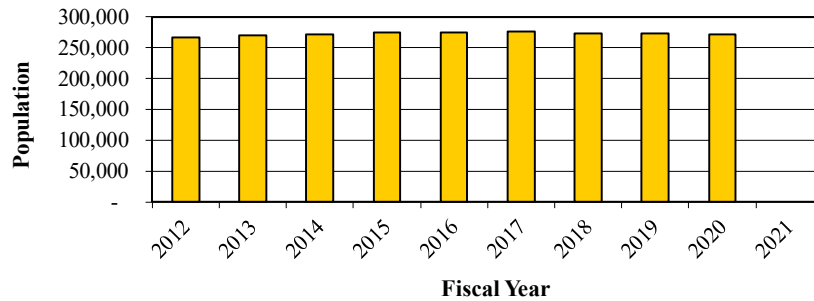
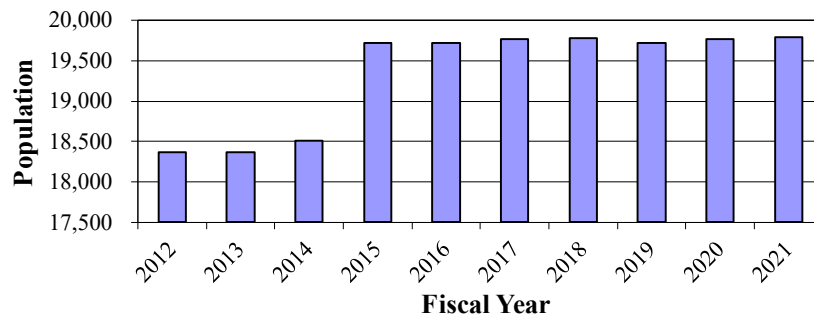
(3) For the fiscal year ended June 30, 2018 and on, the District implemented GASB 75, this replaced GASB 45. This improves accounting and financial reporting by state and local governments for other post employment benefits, similar to GASB 68 with pensions.

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

Schedule 11

County of Santa Cruz ⁽¹⁾					
Year	District Population ⁽²⁾	Unemployment Rate	Population	Personal Income (thousands of dollars)	Personal Income per Capita
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%	273,841	19,021,010	69,355
2019	19,713	4.7%	273,213	19,559,977	71,592
2020	19,770	11.4%	270,861	*	71,480
2021	19,788	*	*	*	*

* 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.

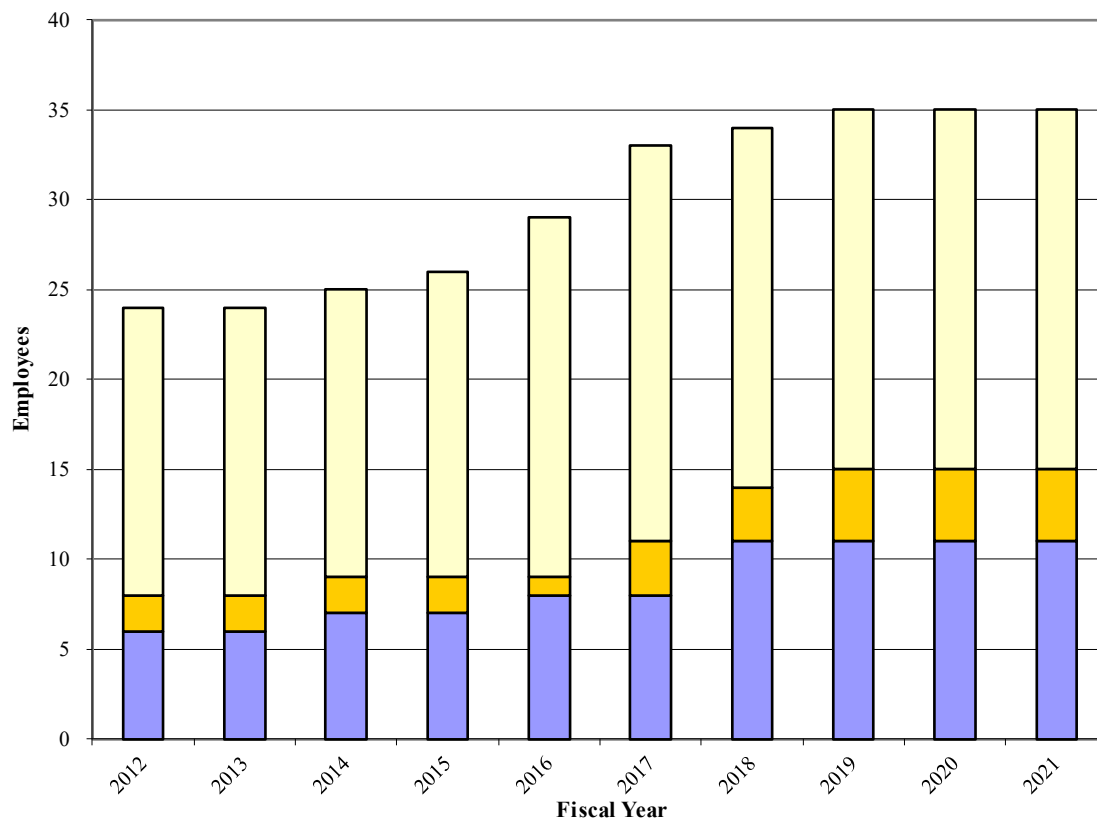
Sources: California Department of Finance, Bureau of Economic Analysis (BEA)
Bureau of Labor Statistics

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

Schedule 12

Full-time Equivalent District Employees by Department

Fiscal Year	District Administration	Watershed & Engineering	Treatment & Operations	Total
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
2020	11	4	20	35
2021	11	4	20	35



Source: SLVWD Finance Department

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

Schedule 13

Other Operating and Capacity Indicators					
Fiscal Year	District Area (Square Miles)	Miles of Pipeline	Storage Capacity (MG)	Production Capacity TP ⁽¹⁾ (MGD)	Production Capacity Wells ⁽¹⁾ (MGD)
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
2020	60	169	9,697,000	2,700,000	1,800,000
2021 ⁽²⁾	62	190	9,272,500	2,440,000	2,844,000

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.

(2) From completed Master Plan

Sources: SLVWD Operations Department and Urban Water Management Plan

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Report on Internal Controls and Compliance



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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, 2021 and 2020, and the related notes to the financial statements, which collectively comprises the District's basic financial statements, and have issued our report thereon dated December 7, 2021.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

Purpose of this Report

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

Fedak & Brown LLP

Fedak & Brown LLP
Cypress, California
December 7, 2021

San Lorenzo Valley Water District Acronyms and Glossary of Terms

The following is a listing of acronyms and glossary of terms that can commonly be found in past, current or potential future reports.

Acronyms

AF – Acre-Feet/Foot

ARC – Annual Required Contribution

CAFR – Comprehensive Annual Financial Report

CalPERS – California Public Employees Retirement System

CEQA – California Environmental Quality Act

CERBT – California Employers' Retiree Benefit Trust

CIP – Capital Improvement Project or Capital Improvement Program

COLA – Cost of Living Adjustment

COP – Certificates of Participation

CSDA – California Special District Association

CSMFO – California Society of Municipal Finance Officers

DOF – Department of Finance

DWR – Department of Water Resources

EIR – Environmental Impact Review

EPA – Environmental Protection Agency

ERP – Enterprise Resource Planning Software

FASB – Financial Accounting Standards Board

FBS – Finance and Business Services

FDIC – Federal Deposit Insurance Corporation

FMLA – Family Medical Leave Act

FSA – Flexible Spending Accounts

FTE – Full Time Equivalent

GAAP – Generally Accepted Accounting Principles

GASB – Governmental Accounting Standards Board

GFOA – Government Finance Officers Association

GIS – Geographic Information Systems

GPD – Gallons per Day

GPM – Gallons per Minute

GPS – Global Positioning Satellite

GSA – Groundwater Sustainability Agency

GSP – Groundwater Sustainability Plan

HR – Human Resources

San Lorenzo Valley Water District Acronyms and Glossary of Terms, continued

Acronyms, continued

JPA – Joint Powers Authority
LAFCO – Local Agency Formation Commission
LAIF – Local Agency Investment Fund
MG – Million Gallons
MGD – Million Gallons per Day
MOU – Memorandum of Understanding
O & M – Operations and Maintenance
OPEB – Other Post-Employment Benefits
PEPRA – Public Employees’ Pension Reform Act
PRV – Pressure Reducing Valve
RFP – Request for Proposal
RFQ – Request for Qualifications
SCADA – Supervisory Control and Data Acquisition
SDI – State Disability Insurance
SDRMA – Special District Risk Management Authority
SEIU – Service Employees International Union
SGMA – Sustainable Groundwater Management Act
TP – Treatment Plant
UWMP – Urban Water Management Plan

Glossary of Terms

Accrual Basis of Accounting – Method of accounting that recognizes the financial effect of transactions, and activities when they occur, regardless of the timing of related cash flows. Revenues are recorded when earned and expenses are recognized when incurred.

Acre Foot – an acre foot is enough water to cover an acre of land, about the size of a football field, one foot deep. It is the equivalent of about 326,000 gallons.

Asset – Anything of value such as an area of land, or a building, or an item of plant or equipment or infrastructure that provides service potential or future economic benefits over a period greater than three years, and has a cost that is material (at least \$5,000).

Balanced Budget – The District’s current operating expenses will be paid from current revenues and reserves carried forward from the prior year.

Board of Directors – The five public officials elected to represent the population within the District’s service area. Also referred to as “the Board”.

Budget – A financial plan showing authorized planned expenditures and their funding sources.

Budget Process – The schedule of key dates or milestones, which the District follows in the development, preparation, adoption, and administration of the budget.

San Lorenzo Valley Water District
Acronyms and Glossary of Terms, continued

Glossary of Terms, continued

California Environmental Quality Act (CEQA) – A California statute passed in 1970, shortly after the United States federal government passed the National Environmental Policy Act (NEPA), to institute a statewide policy of environmental protection. CEQA does not directly regulate land uses, but instead requires state and local agencies within California to follow a protocol of analysis and public disclosure of environmental impacts of proposed projects and adopt all feasible measures to mitigate those impacts.

Capital Improvement Program (CIP) – Authorized expenditures for tangible and long-term physical improvements or additions of a fixed or permanent nature.

Capital Project – Projects budgeted as capital projects fall within the definition of capital expenditures, which means (1) they create or extend the lives of assets, (2) their work products have a useful life of more than three years, and (3) they involve an expenditure of District resources equal to or greater than \$5,000.

Centum Cubic-Feet (CCF) – The standard rate of billing for water service. The District calculates one CCF as one unit of water. One CCF is equal to 100 cubic feet of water, which is 748 gallons.

Consolidated Omnibus Budget Reconciliation Act (COBRA) – COBRA gives employees the right to pay premiums and keep the group health insurance that they would otherwise lose after they quit their jobs, lose their jobs, or reduce their work hours. COBRA benefits are typically available for 18 months.

Debt Service – The current year portion of interest costs and current year principal payments incurred on long-term debt.

Department – A major organizational unit with overall managerial responsibility for functional programs of the District.

Depreciation – The reduction in value of a long lived asset from use or obsolescence. The decline in value is recognized by a periodic allocation of the original cost of the asset to current operations on an income statement.

Enterprise Fund – A fund established to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through “user charges.”

Environment Impact Review (EIR) – Written record submitted to a deciding authority that identifies and examines the likely environmental effects of the continuing operations of an existing facility or those of a proposed project, and proposes measures to avoid, mitigate, or offset the identified effects.

Expense – A cost incurred in the operations of the District, most often settled with the payment of cash.

Financial Accounting Standards Board (FASB) - is a private, non-profit organization standard-setting body whose primary purpose is to establish and improve Generally Accepted Accounting Principles within the United States in the public's interest.

Fiscal Year (FY) – A 12-month period to which the annual operating budget applies and at the end of which a government determines its financial position and the results of its operations. (SLVWD’s fiscal year is July 1 through June 30).

Flexible Spending Accounts (FSA) – A tax-favored program offered by employers that allows their employees to pay for eligible out-of-pocket health care and dependent care expenses with pre-tax dollars.

Full-Time Equivalent (FTE) – A measure of labor requirement equal to the full time use of one worker (e.g., could be one person full time or two people half time).

San Lorenzo Valley Water District
Acronyms and Glossary of Terms, continued

Glossary of Terms, continued

Generally Accepted Accounting Principles (GAAP) – A collection of commonly-followed accounting rules and standards for financial reporting.

Geographical Information Systems (GIS) – An information system integrating maps with electronic data.

Governmental Accounting Standards Board (GASB) – A private, non-governmental organization that is the source of generally accepted accounting principles (GAAP) used by State and Local governments in the United States.

Intertie – An interconnection permitting passage of water between two or more water utility systems.

Local Agency Formation Commission (LAFCO) – A public agency with county-wide jurisdiction that regulates, approves, or denies boundary changes proposed by other public agencies or individuals.

Management's Discussion and Analysis (MD&A) – Management provided overview, summary, and analysis of the basic financial statements.

Memorandum of Understanding (MOU) – A formal agreement between two or more parties, such as between the District and its labor bargaining groups.

Meter – A device that measures and records the quantity of a substance, such as water or energy that has passed through it during a specified period.

Other Post-Employment Benefits (OPEB) – Benefits, other than pensions, that a state or local government employee receives as part of his or her package of retirement benefits. The District's OPEB is limited to retiree health benefits.

Pay-Go – A capital financing strategy to pay-as-you go by cash funding capital projects with current and accumulated revenues rather than borrowing funds that will be repaid with future revenues.

Pressure Reducing Valve (PRV) – A pressure reducing valve is a relief valve that automatically reduces high incoming water pressure to provide a lower, more functional pressure for residential water use.

Pump – A mechanical device for raising or lifting water, pushing it, and changing flow and pressure.

Pump Station – A structure containing pumps and appurtenant piping, valves, and other mechanical and electrical equipment for pumping raw water.

Regulatory – Something that is required due to a permit requirement, mandated regulation, or legislation.

Reliability – The probability that a system performs a specified function or mission under given conditions for a prescribed time.

Reserves – The portion of cash and investments that are held for a specific future use.

Revenue – Income the District receives from a variety of sources such as rates and charges, fees, and interest earnings.

Statement of Cash Flows – reports cash receipts, cash payments, and net change in cash. Helps identify where did cash come from, what it was used for and what the change was during the reporting period.

Statement of Net Position – includes all of the District's investment in resources, deferred inflow/outflow of resources, and obligations to creditors.

Statement of Revenues, Expenses, and Changes in Net Position – Takes all of the current year's revenues and expenses to help measure the success of the District's operations over the past year.

San Lorenzo Valley Water District
Acronyms and Glossary of Terms, continued

Glossary of Terms, continued

Strategic Plan – The long-term goals, objectives, and performance measurement standards for the District.

Supervisory Control and Data Acquisition (SCADA) – A computer system that monitors and controls real time data from remote locations. The District uses a SCADA system to manage the tanks and pumps throughout the water distribution system.

Sustainability – The use of natural, community, fiscal, or utility resources in a manner that satisfies current needs without compromising future needs or options.

Tank – A vessel or container used to hold water or other liquid.

Transmission Main – A large water main that transports water from the main supply or source, to a distant area where the water is then further distributed. Finished water transmission mains usually have no or few connections.

Transmittal Letter – Letter from the District Manager, highlighting important details pertaining to the District. Is meant to compliment the MD&A and should be read in conjunction with the financials.

Urban Water Management Plan (UWMP) – A plan prepared by California urban water suppliers to support their long-term resource planning and ensure adequate water supplies are available to meet existing and future water demands. The UWMP must be prepared every 5 years. The District is currently starting its 2020 UWMP.

Valve – A device to regulate or isolate the flow of water.

Water Distribution System – A network of pipe, pumps, and storage facilities to transport potable water from the source/treatment facility to the consumer.

Water Quality – Various measures by which materials (contaminants) and appearance (aesthetics) are compared against what are considered appropriate levels for suitably potable water.

Water Quality Monitoring – Instrumentation and activities for measuring the quality of water.

Water Treatment – Any process that intentionally alters and improves the chemical, biological, or physical characteristics of water.

Water Treatment Plant – A facility where water treatment is performed to produce water for a specific end-use.

Well – (1) A subsurface source of water that is generally accessed through a drilled casing and pipe into the aquifer. (2) The entire system of the underground water source, pipe casing, pump, etc. Also called a borehole.