



**SANTA NELLA COUNTY WATER DISTRICT  
ANNUAL FINANCIAL REPORT  
WITH  
INDEPENDENT AUDITOR'S REPORT  
FOR THE FISCAL YEARS ENDED  
JUNE 30, 2021 AND 2020**

**SANTA NELLA COUNTY WATER DISTRICT  
FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**TABLE OF CONTENTS**

	<u>Page</u>
<b>Independent Auditor's Report</b>	1 - 2
<b>Management's Discussion and Analysis</b>	3 - 6
<b>Financial Statements:</b>	
Statements of Net Position	7 - 8
Statements of Revenues, Expenses, and Changes in Net Position	9
Statements of Cash Flows	10 - 11
Notes to the Financial Statements	12 - 28
<b>Required Supplementary Information</b>	
Schedule of the District's Proportionate Share of the Net Pension Liability	29
Schedule of Contributions to the Cost Sharing Defined Benefit Pension Plan	30
<b>Supplementary Information</b>	
Combining Schedule of Revenues, Expenses, and Changes in Net Position for the years ended June 30, 2021 and June 30, 2020	31 - 32
<b>Other Reports</b>	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	33



## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
Santa Nella County Water District  
Santa Nella, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of the Santa Nella County Water 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, 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 Santa Nella County 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.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 and schedules related to the District's Net Pension Liability on pages 29 - 30 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Santa Nella County Water District's basic financial statements. The combining schedules of revenues, expenses, and changes in net position for the years ended June 30, 2021 and 2020 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining schedules of revenues, expenses, and changes in net position for the years ended June 30, 2021 and 2020 are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2022, on our consideration of Santa Nella County Water District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Santa Nella County Water 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 Santa Nella County Water District's internal control over financial reporting and compliance.



Sacramento, California  
January 10, 2022

**SANTA NELLA COUNTY WATER DISTRICT**  
Management's Discussion & Analysis  
June 30, 2021

Management's discussion of the Santa Nella County Water District's (the District) financial condition and activities as and for the year ended June 30, 2021 is intended to serve as an introduction to the District's basic financial statements and should be read in conjunction with the audited financial statements that follow this section.

**Explanation of Financial Statements**

The District's financial statements include a statement of net position, statement of revenues, expenses, and changes in net position, and statement of cash flows. The statement of net position provides information about assets and obligations of the District at a specific point in time. The statement of revenues, expenses, and changes in net position provides information regarding the District's operations during the fiscal year. The statement of cash flows provides information about the District's cash receipts and disbursements during the fiscal year.

**Financial Statement Summary**

The following is a condensed presentation of assets, liabilities and net position as of June 30, 2021:

	<u>2021</u>	<u>2020</u>	<u>Change</u>	<u>%</u>
<b>Assets:</b>				
Current Assets	\$ 1,574,796	\$ 1,943,166	\$ (368,370)	(19)%
Restricted Assets	1,370,356	1,347,422	22,934	2 %
Capital Assets	14,632,189	13,087,461	1,544,728	12 %
Deferred Outflows of Resources	<u>98,658</u>	<u>117,040</u>	<u>(18,382)</u>	(16)%
Total Assets	<u>17,675,999</u>	<u>16,495,089</u>	<u>1,180,910</u>	
<b>Liabilities:</b>				
Current Liabilities	708,237	1,060,594	(352,357)	(33)%
Long-Term Liabilities	3,021,247	1,697,405	1,323,842	78 %
Deferred Inflows and Resources	<u>5,039</u>	<u>18,724</u>	<u>(13,685)</u>	(73)%
Total Liabilities	<u>3,734,523</u>	<u>2,776,723</u>	<u>957,800</u>	
<b>Net Position:</b>	<u>13,941,476</u>	<u>13,718,366</u>	<u>223,110</u>	2 %
Total Liabilities & Net Position	<u>\$ 17,675,999</u>	<u>\$ 16,495,089</u>	<u>\$ 1,180,910</u>	

**Current Assets**

Current assets decreased by \$(368,370) or (19)% due to a decrease in Construction in Progress (CIP) Accounts Receivable (A/R) for the MHP Metering Project. The major infrastructure construction was done in the prior year and the costs decreased. Despite the decrease in CIP A/R, there was an increase of 24% in Trade A/R, which is comprised of unpaid customer accounts. Many customers were affected by the governor's shut down of business due to the COVID-19 pandemic. An additional A/R account was added to record the revenue billed annually for the San Luis Water District (SLWD) Assessment charges. SLWD converted their water service contract, which required that they pay their capital debt in full. SLWD began billing the District's proportionate share of that capital debt and the District, in turn, began billing landowners a portion of that debt based on land acreage. The debt payment matures in 20 years.

**Restricted Assets**

Restricted Assets remained relatively the same as the prior year, although there was a slight increase in investment income. This included interest and dividend income, as well as unrealized gain, in the amount of of \$66,944 or 13%, for funds invested in Wells Fargo Investments. Investments are comprised of Certificate of Deposit's with interest rates ranging from 1.65 to 3.0%. Maturity dates are between one to four years. Approximately one-half of the funds are short term investments in the event the District must liquidate funds for capital improvement and/or construction costs.

**Non-Current Assets**

Capital Assets increased by \$1,544,728 or 12% due to capital improvements reclassified as assets and the recording of the SLWD Assessments, which is the value of the District's portion of the CVP water contract capital obligation. There was an increase in accumulated depreciation and expenditures as the District has purchased multiple CIP projects underway; including the Mobile Home Park (MHP) Water Metering Project, CVP Partial Assignment Project, and the Santa Nella/Volta Water Supply and Consolidation Project.

**SANTA NELLA COUNTY WATER DISTRICT**  
Management's Discussion & Analysis (Continued)  
June 30, 2021

The table below shows the activity of Restricted Assets for the fiscal year:

<b>Restricted Assets</b>	<b>WF impact Fees</b>		<b>Wtr Constr</b>	<b>Swr Constr</b>	<b>Debt Res</b>	<b>Wells Fargo Investments</b>		<b>Total</b>
	<b>Water</b>	<b>Sewer</b>	<b>Water</b>	<b>Sewer</b>	<b>Sewer</b>	<b>Water</b>	<b>Sewer</b>	
Beginning Balance - 7/1/2020	\$ 321,014	\$ 50,366	\$ 188,067	\$ 35,261	\$ 134,226	\$ 561,381	\$ 57,107	\$ 1,347,422
<b>Add:</b>								
Deposits	-	-	975,776	-	-	-	-	975,776
Transfer to Debt Service	-	-	-	133,800	-	-	-	133,800
Pmt - Sewer	-	-	-	-	-	-	-	-
Net Increase FMV	-	-	-	-	-	(8,056)	(969)	(9,025)
Investment	-	-	-	-	-	10,346	1,201	11,724
Interest/Investment Income	116	6	-	6	49	-	-	-
<b>Less:</b>								
Construction Costs	-	-	(955,546)	-	-	-	-	(955,546)
Debt Service Payment -								
Sewer	-	-	-	(133,781)	-	-	-	(133,781)
Bank Fees	-	(4)	-	-	(10)	-	-	(14)
Ending Balance - 6/30/2021	<u>321,130</u>	<u>50,368</u>	<u>208,297</u>	<u>35,286</u>	<u>134,265</u>	<u>563,671</u>	<u>57,339</u>	<u>1,370,356</u>

**Liabilities and Net Position**

Current liabilities decreased by \$(352,357), or 33% due to a reduction of expenditures for the MHP Metering Project. As stated above, the major infrastructure work was done in the prior year, and the costs associated with the project during the current year were less. There were overall increases in Accounts Payable Trade, but increase was not offset by the MHP project, resulting in lower current liabilities, as compared to the prior year. Utility deposits also increased during the fiscal year due to the increase in water and sewer user fees, which results in an increase in the amount customers must place on deposit for the services. Also, the Parkway Project deposited more funds during the fiscal year as the District and developer continue to work toward the construction of a proposed sub-division. The District also received \$300,000 grant funding from CalOES for generators, however those funds were deferred into the next fiscal year.

Long-term liabilities increased by \$1,323,842, or 78%, due to the addition of the SLWD Assessment annual debt service payment, as well as payment of existing debt. Debt service payments were made on the Clean Water State Revolving Fund obligation for the Sewer Enterprise Fund (WWTP Phase 1B Improvement Project) and SLWD Assessments annual capital debt obligation.

Net position increased by \$223,110 or 2%, primarily attributed to an increase in capital assets as CIP projects were completed and reclassified, and grant revenue was received as to the MHP Metering Project.

**Deferred Outflows/Inflows of Resources**

The District recognized its proportionate share of Net Pension Liability, Pension Expense, and Pension Deferred Outflows and Inflows of Resources for the fiscal year ending June 30, 2021 as required by GASB 68. The District purchased valuation reports for the Classic and PEPRA plans. The valuation reports enabled the District to meet the requirements of GASB 68. The District expended \$700.00 in fiscal year 2020-21 to purchase the valuation report for each plan. This purchase will be required in each fiscal year. Note 8, Pension Plan, describes in detail the plan types and all pertinent information required under GASB 68.

**SANTA NELLA COUNTY WATER DISTRICT**  
Management's Discussion & Analysis (Continued)  
June 30, 2021

**Operating Revenues and Expenses**

The following is a condensed presentation of revenues and expenses for the fiscal years ended June 30, 2021 and June 30, 2020:

	<u>2021</u>	<u>2020</u>	<u>Change</u>	<u>%</u>
<b>Revenue &amp; Expenses:</b>				
Operating revenue	\$ 1,616,037	\$ 1,457,110	\$ 158,927	11 %
Operating expenses	<u>(1,709,664)</u>	<u>(1,576,786)</u>	<u>(132,878)</u>	8 %
Non-Operating Net	<u>75,839</u>	<u>87,981</u>	<u>(12,142)</u>	
Other Revenue	<u>240,898</u>	<u>3,034,908</u>	<u>(2,794,010)</u>	
Change in Net Position	<u>\$ 223,110</u>	<u>\$ 3,003,213</u>	<u>\$(2,780,103)</u>	

Operating revenues increased by 23% in the Water Enterprise Fund due to an increase in water user rates. Sewer rates were higher for the final year of a five-year sewer rate increase phase in but overall revenue generated in the Sewer Enterprise Fund fell by 2% most likely due to the reduction in water usage for commercial business because some of the businesses were closed during the COVID-19 pandemic. The District still generated enough sewer revenue in the Sewer Enterprise Fund to meet the debt service requirement for the Wastewater Treatment Plant Phase 1B sewer improvement project.

Operating expenses increased by \$132,878, or 8% due to increases in energy, operational costs, regulatory fees, health insurance, retirement obligations for unfunded liabilities, and project oversight. Annual expenses also increased in the Water Enterprise Funds due to the debt service payment made toward the SLWD Assessment annual capital debt obligation. Depreciation increased due to the addition of capital improvements.

**Net Non-Operating Revenues and Expenses**

Non-Operating net decreased due to the changes in non-operating revenues. There was a net loss in non-operating expenses and depreciation. Investment interest and dividend income, as well as unrealized gain in fair market value investments, were lower when compared to the prior year, however, this was not enough to offset the increased operating expense. Interest expense on the debt service payment was lower than in the prior year.

**Net Gain (Loss)**

The District does not budget for depreciation or include grant revenue in budget reports. The following table represents the Net Gain (Loss) for the District's budgeted revenue and expenses that does not include depreciation or grant funds. This table is for reference only to show net gain or loss in relation to the District's annual budget:

<u>Enterprise Funds</u>	<u>Water</u>	<u>Sewer</u>
<i>Fiscal Year 2020 - 2021</i>		
Operating Revenue		
Municipal and industrial water sales	\$ 750,891	\$ -
Wastewater user fees	<u>-</u>	<u>865,146</u>
Total Operating Revenue	<u>750,891</u>	<u>865,146</u>
Operating Expenses		
General and Administrative	325,353	344,180
Transmission and Distribution	309,067	237,468
Water Supply	<u>101,376</u>	<u>-</u>
Total Operating Expenses	<u>735,796</u>	<u>581,648</u>
<i>(does not include depreciation)</i>		
Non-Operating Revenues (expenses)		
Income	50,533	67,795
Expenses	<u>-</u>	<u>(42,489)</u>
Total Non-Operating Revenues (expenses)	<u>50,533</u>	<u>25,306</u>
Debt Service Payments	<u>-</u>	<u>93,397</u>
<b>Net Gain (Loss) before restricted revenue sources and depreciation</b>	<u>\$ 65,628</u>	<u>\$ 215,407</u>

**SANTA NELLA COUNTY WATER DISTRICT**  
Management's Discussion & Analysis (Continued)  
June 30, 2021

**Request for Information**

This report is designed to provide Santa Nella County Water District's elected officials, landholders, customers and creditors a general overview of the District's finances and to demonstrate its accountability for the revenues it receives. If you have any questions about this report or need additional information, please contact Santa Nella County Water District, Attn: Amy Montgomery, 12931 S. Hwy 33, Santa Nella, CA 95322.



**SANTA NELLA COUNTY WATER DISTRICT  
STATEMENTS OF NET POSITION  
JUNE 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
<b><u>ASSETS</u></b>		
Current assets		
Cash and cash equivalents (Note 2)	\$ 1,013,458	\$ 713,024
Cash and cash equivalents-restricted (Note 2)	815,771	858,811
Investments (Note 2)	221,540	199,304
Investments-restricted (Note 2)	554,585	488,611
Receivables:		
Accounts	245,152	142,472
Taxes	2,105	1,649
Interest	165	672
Grants	51,043	828,952
Material and supply inventory	5,313	5,087
Prepaid expenses and other assets	<u>36,020</u>	<u>52,006</u>
Total current assets	<u>2,945,152</u>	<u>3,290,588</u>
Non-current assets		
Capital assets (net of accumulated depreciation) (Note 3)	<u>14,632,189</u>	<u>13,087,461</u>
Total non-current assets	<u>14,632,189</u>	<u>13,087,461</u>
<b>TOTAL ASSETS</b>	<u>17,577,341</u>	<u>16,378,049</u>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>		
Changes in net pension liability (Note 7)	<u>98,658</u>	<u>117,040</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 17,675,999</u>	<u>\$ 16,495,089</u>

The accompanying notes are an integral part of the financial statements.

**SANTA NELLA COUNTY WATER DISTRICT  
STATEMENTS OF NET POSITION (CONTINUED)  
JUNE 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
<b><u>LIABILITIES</u></b>		
Current liabilities		
Accounts payable	\$ 90,913	\$ 827,276
Accrued liabilities	18,805	16,342
Accrued interest payable	7,384	7,903
Deposits payable	106,032	104,441
Deferred revenue	300,000	-
Current portion of long-term liabilities (Note 4)	<u>185,103</u>	<u>104,632</u>
Total current liabilities	<u>708,237</u>	<u>1,060,594</u>
Noncurrent liabilities		
Long-term liabilities, less current portion (Note 4)	2,675,282	1,370,535
Net pension liability (Note 7)	<u>345,965</u>	<u>326,870</u>
Total noncurrent liabilities	<u>3,021,247</u>	<u>1,697,405</u>
<b>TOTAL LIABILITIES</b>	<u>3,729,484</u>	<u>2,757,999</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>		
Changes in net pension liability (Note 7)	<u>5,039</u>	<u>18,724</u>
<b><u>NET POSITION</u></b>		
Net investment in capital assets	11,782,147	11,354,836
Restricted for:		
Impact fees	992,508	989,868
Debt reserve	134,265	134,226
Construction	243,583	35,261
Unrestricted	<u>788,973</u>	<u>1,204,175</u>
Total net position	<u>13,941,476</u>	<u>13,718,366</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<u>\$ 17,675,999</u>	<u>\$ 16,495,089</u>

The accompanying notes are an integral part of the financial statements.

**SANTA NELLA COUNTY WATER DISTRICT  
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
<b><u>OPERATING REVENUE</u></b>		
Municipal and industrial water sales	\$ 750,891	\$ 578,728
Wastewater user fees	<u>865,146</u>	<u>878,382</u>
Total operating revenue	<u>1,616,037</u>	<u>1,457,110</u>
<b><u>OPERATING EXPENSES</u></b>		
General & administrative	693,325	672,312
Transmission & distribution	546,535	486,162
Water supply	101,376	60,423
Depreciation	<u>368,428</u>	<u>357,889</u>
Total operating expenses	<u>1,709,664</u>	<u>1,576,786</u>
<b>OPERATING LOSS</b>	<u>(93,627)</u>	<u>(119,676)</u>
<b><u>NON-OPERATING REVENUES (EXPENSES)</u></b>		
Interest income	12,793	19,383
Interest expense	(37,437)	(39,901)
Miscellaneous	19,932	1,216
Rents & leases	1,500	1,500
Property taxes	93,128	92,012
Unrealized gain(loss)	(9,025)	13,771
Loss on disposal of capital assets	<u>(5,052)</u>	<u>-</u>
Total non-operating revenues (expenses)	<u>75,839</u>	<u>87,981</u>
<b>NET LOSS BEFORE RESTRICTED REVENUE SOURCES</b>	<u>(17,788)</u>	<u>(31,695)</u>
<b><u>LEGALLY RESTRICTED REVENUE SOURCES</u></b>		
Grant revenue (Restricted Use)	<u>240,898</u>	<u>3,034,908</u>
Total legally restricted revenues	<u>240,898</u>	<u>3,034,908</u>
<b>CHANGE IN NET POSITION</b>	<u>223,110</u>	<u>3,003,213</u>
<b>TOTAL NET POSITION, BEGINNING OF YEAR</b>	<u>13,718,366</u>	<u>10,715,153</u>
<b>TOTAL NET POSITION, END OF YEAR</b>	<u>\$ 13,941,476</u>	<u>\$ 13,718,366</u>

The accompanying notes are an integral part of the financial statements.

**SANTA NELLA COUNTY WATER DISTRICT  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Receipts from customers	\$ 1,514,948	\$ 1,534,851
Payments to suppliers for goods and services	(811,315)	(805,840)
Payments to employees for services	<u>(474,775)</u>	<u>(430,424)</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>228,858</u>	<u>298,587</u>
<b><u>CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES</u></b>		
Miscellaneous income	19,932	1,216
Property taxes received	92,672	91,928
Rents received	<u>1,500</u>	<u>1,500</u>
<b>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>	<u>114,104</u>	<u>94,644</u>
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u></b>		
Acquisition and construction of capital assets	(364,397)	(2,386,523)
Grant revenue for capital purposes	571,722	2,499,347
Principal paid on long-term liabilities	(171,002)	(109,997)
Interest paid on long-term liabilities	<u>(37,956)</u>	<u>(40,384)</u>
<b>NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(1,633)</u>	<u>(37,557)</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Interest received	13,300	19,955
Investment purchases	(97,235)	(114,611)
Proceeds from sale of assets	<u>-</u>	<u>110,000</u>
<b>NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES</b>	<u>(83,935)</u>	<u>15,344</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<u>257,394</u>	<u>371,018</u>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>1,571,835</u>	<u>1,200,817</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u><u>\$ 1,829,229</u></u>	<u><u>\$ 1,571,835</u></u>
<b><u>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION</u></b>		
Cash and cash equivalents	\$ 1,013,458	\$ 713,024
Cash and cash equivalents-restricted	<u>815,771</u>	<u>858,811</u>
<b>Total cash and cash equivalents</b>	<u><u>\$ 1,829,229</u></u>	<u><u>\$ 1,571,835</u></u>

The accompanying notes are an integral part of the financial statements.

**SANTA NELLA COUNTY WATER DISTRICT  
STATEMENTS OF CASH FLOWS (CONTINUED)  
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
<b><u>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u></b>		
Operating loss	\$ (93,627)	\$ (119,676)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	368,428	357,889
(Increase) decrease in current assets:		
Accounts receivable	(102,680)	46,481
Deferred outflow of resources	18,382	8,342
Supplies inventory	(226)	522
Prepaid expenses	15,986	(25,011)
Increase (decrease) in current liabilities:		
Accounts payable	10,722	(13,823)
Accrued liabilities	2,463	3,348
Compensated absences	2,409	(2,937)
Deposits payable	1,591	31,260
Deferred inflow of resources	(13,685)	(6,951)
Net pension liability	<u>19,095</u>	<u>19,143</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b><u>\$ 228,858</u></b>	<b><u>\$ 298,587</u></b>
<b><u>NON-CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</u></b>		
Gain/(loss) on sale of asset	\$ -	\$ (1,334)
Unrealized gain/(loss) on investments	\$ 13,771	\$ 11,842
<b><u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</u></b>		
Cash paid for interest	\$ 37,437	\$ 41,287
Purchase of fixed assets in exchange for note payable	\$ 1,553,960	\$ -

The accompanying notes are an integral part of the financial statements.

**SANTA NELLA COUNTY WATER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Santa Nella is an unincorporated community with a population of 2,135 and located on the west side of Merced County. The community began as a mobile home park during construction of the San Luis Dam and Forebay facilities. On July 27, 1965, the Santa Nella County Water District (the "District") was formed as the District responsible for treatment and distribution of water supply and the collection, treatment and disposal of wastewater. The District includes 1,191 acres at the present time and future development would include 4,681 acres. The District has six employees including a General Manager and is governed by a five-member board. The water and sewer operations and maintenance were outsourced to a private contractor, Environmental Management Services in 2008 and returned to District operations in 2012. The District is regulated by the State Health Department, the County Health Department and the California Regional Water Quality Control Board.

The accounting and reporting policies of the District relating to the funds included in the accompanying financial statements conform to generally accepted accounting principles (GAAP) applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the acknowledged standard setting body for establishing accounting and financial reporting standards in the United States. The more significant of the District's accounting policies are described below.

**A. Reporting Entity**

In evaluating how to define the District for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The criteria used in determining the inclusion of a component unit in the reporting entity for financial reporting purposes are: (1) appointment of voting majority of the component unit board, (2) ability to impose its will, (3) financial benefit or burden, and (4) fiscal dependency. Based upon the application of these criteria the District has no component units.

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

The financial statements of Santa Nella County Water District have been prepared in conformity with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States.

Measurement Focus

The statements of net position and the statements of revenues, expenses and changes in net position, are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources (whether current or noncurrent) associated with the operation of these funds are reported. Proprietary fund equity is classified as net position.

Basis of Accounting

In the statements of net position and statements of revenues, expenses and changes in net position, business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or the economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with Santa Nella County Water District's principal ongoing operational activities. Charges to customers represent Santa Nella County Water District's principal operating revenues and include water and sewer fees. Operating expenses include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Capital contributions are reported as a separate line item in the statements of revenues, expenses, and changes in net position.

Grant revenues are recognized in the fiscal year in which all eligibility requirements are met. Under the terms of grant agreements, Santa Nella County Water District may fund certain programs with a combination of cost-reimbursement grants, categorical block grants, and general revenues. Thus, both restricted and unrestricted net position are available to finance program expenditures. Santa Nella County Water District's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

**SANTA NELLA COUNTY WATER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Certain indirect costs are included in program expenses reported for individual functions and activities.

Non-exchange transactions, in which the Santa Nella County Water District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements, and donations. On the accrual basis, revenues from property taxes are recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

**C. Budget**

Annual budgets are adopted on a cash basis which is not consistent with generally accepted accounting principles. The budget is approved and adopted each year by the District's Board of Directors. The budget is used to estimate annual revenues and expenses and is amended only upon board approval.

**D. Cash and Cash Equivalents**

For purposes of the statement of cash flows, Santa Nella County Water District considers cash and investments, and deposits in financial institutions (including deposited cash) having an original maturity of three months or less to be cash and cash equivalents.

The District holds cash with Merced County and investments with State of California Local Agency Investment Fund (LAIF). The related cash held by Merced County is presented by risk category in total in Merced County's June 30, 2021 and 2020 Annual Comprehensive Financial Report.

**E. Investments**

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

GASB Statement No. 72, Fair Value Measurement and Application, defines fair value, establishes a framework for measuring fair value and establishes disclosures about fair value measurement. Investments, unless otherwise specified, recorded at fair value in the Statement of Net Position, are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Levels of inputs are as follows:

**Level 1** – Inputs are unadjusted, quoted prices for identical assets or liabilities in active markets at the measurement date.

**Level 2** – Inputs, other than quoted prices included in Level 1 that are observable for the assets or liabilities through corroboration with market data at the measurement date.

**Level 3** – Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the assets or liabilities at the measurement date.

**F. Post-Employment Health Care Benefits**

The District provides no post retirement health care benefits to employees who retire.

**G. Unearned Revenues**

Unearned revenue consists of amounts collected before revenue recognition criteria are met. The unearned items consist of water and sewer fees which have been prepaid by users.

**SANTA NELLA COUNTY WATER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**H. Inventories**

Inventories are valued at the lower of cost or market, using the first-in/first-out (FIFO) method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. The June 30, 2021 and 2020 inventory quantities were determined by estimate.

**I. Capital Assets**

Capital assets are stated at cost, net of accumulated depreciation, except for the portion acquired by contribution, which are recorded at fair value at the time received. The capitalization threshold for all capital assets is \$5,000. Depreciation is based on the estimated useful lives of the assets, which range from five to forty years, using the straight-line method. Net interest costs are capitalized on projects during the construction period. Depreciation is computed using the straight-line method over the following estimated useful lives:

Buildings	5 to 40 years
Furniture and Equipment	5 to 20 years

The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized.

**J. Compensated Absences**

Vested or accumulated vacation is recorded as an expense and liability as benefits accrue to the employee.

**K. Deferred Outflows/Inflows of Resources**

In addition to assets, the statements of net position or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements of net position or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

**L. Capital Grants**

In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, capital grants are required to be included in the determination of net income which resulted in an increase in net revenue of \$240,898 and \$3,034,908 for the years ending June 30, 2021 and 2020, respectively.

**M. Net Position**

Net position represents the residual interest in Santa Nella County Water District's assets and deferred outflows of resources after liabilities and deferred inflows of resources are deducted. Net position is presented in three broad components: net investment in capital assets; restricted; and unrestricted. Net investment in capital assets, includes capital assets net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. Net position is restricted when constraints are imposed by the third parties or by law through constitutional provisions or enabling legislation. All other net position is unrestricted. Operating losses outside of depreciation are funded by operating and capital reserves.



**SANTA NELLA COUNTY WATER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**N. Estimates**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**O. Use of Restricted/ Unrestricted Net Position**

When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the District's policy is to apply restricted net position first.

**P. Comparative Data and Reclassifications**

Comparative data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. Certain amounts presented in the prior year data have been reclassified in order to be consistent with current year's presentation.

**Q. Capacity Charges/ Impact Fees**

Capacity charges/ Impact fees are paid by new customers prior to connecting to the District's system. Such charges are periodically adjusted based upon changes in construction costs and other factors, and are intended to compensate the District for a new customer's equitable share of current and future system capacity. Impact fees are, except in rare circumstances, nonrefundable and are recorded as nonoperating revenues when collected.

**R. Pensions**

For the purposes of measuring the net liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Santa Nella County Water District's California Public Employees' Retirement System (CalPERS) plan (the Plan) and additions to/deductions 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.

**S. Implementation of Government Accounting Standards Board Statements**

Government Accounting Standards Board Statement No. 84

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. Additionally, this Statement describes four fiduciary funds that should be reported, as well as provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The District adopted this accounting guidance for its June 30, 2021 year-end. There were no significant impacts as a result of implementation.

Governmental Accounting Standards Board Statement No. 90

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests*. The purpose of this statement is to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The new standard clarifies the differences between a majority equity interest reported as an investment and majority equity interest reported as a component unit of the governmental entity. There was no significant financial impact to the District as a result of implementation.

**SANTA NELLA COUNTY WATER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**T. Future Government Accounting Standards Board Statements**

These statements are not effective until July 1, 2021 or later and may be applicable for the District. However, the District has not determined the effects, if any, on the financial statements.

Governmental Accounting Standards Board Statement No. 87

In June 2017, 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 requires 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 District has not determined what impact, if any, this pronouncement will have on the financial statements. Application of this statement is effective for the District's fiscal year ending June 30, 2022.

Government Accounting Standards Board Statement No. 89

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This statement requires interest costs incurred before the end of a construction period to be recorded as an expenditure in the applicable period. 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. The District has not determined what impact, if any, this pronouncement will have on the financial statements. Application of this statement is effective for the District's fiscal year ending June 30, 2022.

Government Accounting Standards Board Statement No. 91

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The purpose of this statement is 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. The District has not determined what impact, if any, this pronouncement will have on the financial statements. Application of this statement is effective for the District's fiscal year ending June 30, 2023.

Government Accounting Standards Board Statement No. 92

In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. The purpose of this statement is 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. This Statement addresses a variety of topics and includes specific provisions about the following: (1) The effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reports, (2) reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan, (3) the applicability of Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*, as amended, and No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, to reporting assets accumulated for postemployment benefits*, (4) the applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangement, (5) measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition, (6) reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers, and other changes to references and terminology. The District has not determined what impact, if any, this pronouncement will have on the financial statements. Application of this statement is effective for the District's fiscal year ending June 30, 2022.

**SANTA NELLA COUNTY WATER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Government Accounting Standards Board Statement No. 93

In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The primary objective of this Statement is to address accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR). The District has not determined what impact, if any, this pronouncement will have on the financial statements. The removal of LIBOR as an appropriate benchmark interest rate is effective for the District's fiscal year ending June 30, 2022. All other requirements of this statement are effective for the District's fiscal year ending June 30, 2022.

Government Accounting Standards Board Statement No. 94

In March 2020, 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). 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 assets (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). 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 District has not determined what impact, if any, this pronouncement will have on the financial statements. The requirements of this statement are effective for the District's fiscal year ending June 30, 2023.

Government Accounting Standards Board Statement No. 96

In May 2020, 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 governments, defines a SBITA, establishes that a SBITA results in a right-to-use subscription asset-an intangible asset-and a corresponding liability, provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA, and requires not disclosures regarding a SBITA. The District has not determined what impact, if any, this pronouncement will have on the financial statements. The requirements of this statement are effective for the District's fiscal year ending June 30, 2023.

Government Accounting Standards Board Statement No. 97

In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans and Amendment of GASB Statements No. 14 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 partial 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 District has not determined what impact, if any, this pronouncement will have on the financial statements. The requirements of this statement related to the accounting and financial reporting for Section 457 plans are effective for the District's fiscal year ending June 30, 2022.

**SANTA NELLA COUNTY WATER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**NOTE 2: CASH AND INVESTMENTS**

Cash and investments reported in the accompanying financial statements as of June 30, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 1,013,458	\$ 713,024
Restricted cash and cash equivalents	815,771	858,811
Investments	221,540	199,304
Restricted investments	<u>554,585</u>	<u>488,611</u>
	<u>\$ 2,605,354</u>	<u>\$ 2,259,750</u>

Cash and investments were carried at fair value as of June 30, 2021 and 2020 and consisted of the following:

	<u>2021</u>	<u>2020</u>
Cash on hand	\$ 691	\$ 551
Cash in banks	<u>1,828,538</u>	<u>1,571,284</u>
Total cash	<u>1,829,229</u>	<u>1,571,835</u>
LAIF	221,540	199,304
Certificates of deposit	<u>554,585</u>	<u>488,611</u>
Total investments	<u>776,125</u>	<u>687,915</u>
Total cash and investments	<u>\$ 2,605,354</u>	<u>\$ 2,259,750</u>

**A. Cash Deposits**

At June 30, 2021 and 2020, the bank balance of the District's deposits was \$1,756,271 and \$1,494,724, respectively. The total amounts of which was collateralized or insured with securities held by the pledging financial institutions in the District's name as discussed below.

The California Government Code requires banks and savings and loan associations to secure the District's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the District's name.

**B. Investments**

The District is authorized by State statutes and in accordance with the District's Investment Policy (Policy) to invest in the following:

- Securities issued or guaranteed by the Federal Government or its agencies
- State Local Agency Investment Fund (LAIF)
- Insured and/or collateralized certificates of deposit

**SANTA NELLA COUNTY WATER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**NOTE 2: CASH AND INVESTMENTS (CONTINUED)**

**C. Risk Disclosures**

Interest Rate Risk- Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally an investment with a longer maturity date has a greater sensitivity of its fair value to be subject to changes in market interest rates. The District generally manages its interest rate risk by holding investments to maturity. At June 30, 2021, the District had the following investment maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Remaining Maturity</u>	
		<u>12 months or less</u>	<u>1-5 years</u>
LAIF	\$ 221,540	\$ 221,540	\$ -
Certificates of deposit	<u>554,585</u>	<u>379,115</u>	<u>175,470</u>
Total	<u>\$ 776,125</u>	<u>\$ 600,655</u>	<u>\$ 175,470</u>

At June 30, 2020, the District had the following investment maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Remaining Maturity</u>	
		<u>12 months or less</u>	<u>1-5 years</u>
LAIF	\$ 199,304	\$ 199,304	\$ -
Certificates of deposit	<u>488,611</u>	<u>99,883</u>	<u>388,728</u>
Total	<u>\$ 687,915</u>	<u>\$ 299,187</u>	<u>\$ 388,728</u>

Credit Risk- State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations (NRSRO's). It is in the District's policy to limit its investments in these investment types to the top rating issued by NRSRO's, including raters Standard & Poor's and Moody's Investors Services.

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 June 30, 2021 and 2020 for each type of investment type:

<u>Investments</u>	<u>Credit Quality Ratings</u>
Certificates of deposit	Not Rated
Local Agency Investment Fund	Not Rated

Custodial Credit Risk- Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code requires banks and savings and loan associations to secure the District's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the District's name.

According to California law, the market value of pledged securities with banking institutions must equal at least 110% of the District's cash deposits. California law also allows institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the District's total cash deposits. The District may waive collateral requirements for cash deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation. The District, however, has not waived the collateralization requirements.

**SANTA NELLA COUNTY WATER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**NOTE 2: CASH AND INVESTMENTS (CONTINUED)**

**D. Investment Valuation**

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District does not have any investments that are measured using Level 3 inputs.

The following tables set forth by level, within the fair value hierarchy, the District's assets at fair value as of June 30, 2021.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit	\$ -	\$ 554,585	\$ -	\$ 554,585
Total assets at fair value	\$ -	\$ 554,585	\$ -	\$ 554,585

The following tables set forth by level, within the fair value hierarchy, the District's assets at fair value as of June 30, 2020.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit	\$ -	\$ 488,610	\$ -	\$ 488,610
Total assets at fair value	\$ -	\$ 488,610	\$ -	\$ 488,610

**E. Restricted Cash**

The total restricted cash on the statement of net position is comprised of the following items as of June 30, 2021 and 2020:

<u>Depository</u>	<u>Purpose</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Wells Fargo	Restricted for Water Impact Fees	\$ 321,130	\$ 321,014
Wells Fargo	Restricted for Sewer Impact Fees	50,368	50,366
Wells Fargo	Restricted for Water Construction	208,297	188,067
Wells Fargo	Restricted for Sewer Construction	35,286	35,261
CA Bank & Trust	Restricted for Debt Service	134,265	134,226
Fidelity Investments	Restricted for Water Impact Fees	60,129	124,782
Fidelity Investments	Restricted for Sewer Impact Fees	6,296	5,095
	Total	\$ 815,771	\$ 858,811

**F. Restricted Investments**

The total restricted investments on the statement of net position are comprised of the following items as of June 30, 2021 and 2020:

<u>Depository</u>	<u>Purpose</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Fidelity Investments	Restricted for Water Impact Fees	\$ 503,542	\$ 436,599
Fidelity Investments	Restricted for Sewer Impact Fees	51,043	52,012
	Total	\$ 554,585	\$ 488,611

**SANTA NELLA COUNTY WATER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**NOTE 2: CASH AND INVESTMENTS (CONTINUED)**

**G. Investment in State Investment Pool**

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which is recorded on an amortized cost basis. The investment balances of \$221,540 and \$199,304 at June 30, 2021 and 2020, respectively, are not subject to valuation on a recurring basis.

**NOTE 3: CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2021 was as follows:

	<u>July 1, 2020</u>	<u>Additions</u>	<u>Retirements/ Transfers</u>	<u>June 30, 2021</u>
<b>Capital assets not being depreciated</b>				
Land	\$ 619,432	\$ -	\$ -	\$ 619,432
Work in progress	8,508,550	383,205	(55,186)	8,836,569
Right-of-Use Water Asset	<u>-</u>	<u>1,522,649</u>	<u>-</u>	<u>1,522,649</u>
<b>Total capital assets not being depreciated</b>	<u>9,127,982</u>	<u>1,905,854</u>	<u>(55,186)</u>	<u>10,978,650</u>
<b>Capital assets being depreciated</b>				
Buildings	11,517,331	1,449	39,486	11,558,266
Furniture and equipment	<u>365,955</u>	<u>14,105</u>	<u>-</u>	<u>380,060</u>
<b>Total capital assets being depreciated</b>	<u>11,883,286</u>	<u>15,554</u>	<u>39,486</u>	<u>11,938,326</u>
<b>Less: accumulated depreciation</b>				
Buildings	(7,611,717)	(349,748)	7,448	(7,954,017)
Furniture and equipment	<u>(312,090)</u>	<u>(18,680)</u>	<u>-</u>	<u>(330,770)</u>
<b>Total accumulated depreciation</b>	<u>(7,923,807)</u>	<u>(368,428)</u>	<u>7,448</u>	<u>(8,284,787)</u>
<b>Capital assets, net of accumulated depreciation</b>	<u>\$ 13,087,461</u>	<u>\$ 1,552,980</u>	<u>\$ (8,252)</u>	<u>\$ 14,632,189</u>

**SANTA NELLA COUNTY WATER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**NOTE 3: CAPITAL ASSETS (CONTINUED)**

Capital assets activity for the year ended June 30, 2020 was as follows:

	<u>July 1, 2019</u>	<u>Additions</u>	<u>Retirements/ Transfers</u>	<u>June 30, 2020</u>
<b>Capital assets not being depreciated</b>				
Land	\$ 619,432	\$ -	\$ -	\$ 619,432
Work in progress	<u>5,481,989</u>	<u>3,083,847</u>	<u>(57,286)</u>	<u>8,508,550</u>
<b>Total capital assets not being depreciated</b>	<u>6,101,421</u>	<u>3,083,847</u>	<u>(57,286)</u>	<u>9,127,982</u>
<b>Capital assets being depreciated</b>				
Buildings	11,467,206	20,033	30,092	11,517,331
Furniture and equipment	<u>324,386</u>	<u>41,569</u>	<u>-</u>	<u>365,955</u>
<b>Total capital assets being depreciated</b>	<u>11,791,592</u>	<u>61,602</u>	<u>30,092</u>	<u>11,883,286</u>
<b>Less: accumulated depreciation</b>				
Buildings	(7,298,132)	(340,779)	27,194	(7,611,717)
Furniture and equipment	<u>(294,980)</u>	<u>(17,110)</u>	<u>-</u>	<u>(312,090)</u>
<b>Total accumulated depreciation</b>	<u>(7,593,112)</u>	<u>(357,889)</u>	<u>27,194</u>	<u>(7,923,807)</u>
<b>Capital assets, net of accumulated depreciation</b>	<u>\$ 10,299,901</u>	<u>\$ 2,787,560</u>	<u>\$ -</u>	<u>\$ 13,087,461</u>

Depreciation expense for the years ended June 30, 2021 and 2020 totaled \$368,428 and \$357,889, respectively.

**NOTE 4: LONG-TERM LIABILITIES**

The following is a summary of changes in the District's long-term liabilities for the fiscal year ended June 30, 2021:

	<u>Balance at July 1, 2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2021</u>	<u>Current Portion</u>
<b>Water Related</b>					
SLWD	\$ -	\$ 1,553,811	\$ (75,177)	\$ 1,478,634	\$ 77,823
Compensated Absences	8,664	9,888	(8,496)	10,056	4,605
<b>Sewer Related</b>					
SWRCB Loan	1,459,849	-	(95,825)	1,364,024	98,317
Compensated Absences	<u>6,654</u>	<u>11,108</u>	<u>(10,091)</u>	<u>7,671</u>	<u>4,358</u>
<b>Total Long-Term Liabilities</b>	<u>\$ 1,475,167</u>	<u>\$ 1,574,807</u>	<u>\$ (189,589)</u>	<u>\$ 2,860,385</u>	<u>\$ 185,103</u>



**SANTA NELLA COUNTY WATER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**NOTE 4: LONG-TERM LIABILITIES (CONTINUED)**

The following is a summary of changes in the District's long-term liabilities for the fiscal year ended June 30, 2020:

	<u>Balance at July 1, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2020</u>	<u>Current Portion</u>
<b>Water Related</b>					
CA Dept of Public Health	\$ 16,600	\$ -	\$ (16,600)	\$ -	\$ -
Compensated Absences	10,090	8,557	(9,983)	8,664	4,638
<b>Sewer Related</b>					
SWRCB Loan	1,553,246	-	(93,397)	1,459,849	95,825
Compensated Absences	<u>8,165</u>	<u>9,649</u>	<u>(11,160)</u>	<u>6,654</u>	<u>4,169</u>
<b>Total Long-Term Liabilities</b>	<u>\$ 1,588,101</u>	<u>\$ 18,206</u>	<u>\$ (131,140)</u>	<u>\$ 1,475,167</u>	<u>\$ 104,632</u>

California Department of Public Health

The District received Planning Funding in the amount of \$415,000 from the Safe Drinking Water State Revolving Fund (SDWSRF) to develop a water system upgrade project that will provide reliable drinking water that meets the Maximum Contaminant Level (MCL) under the Stage 1 Disinfection Byproduct Rule. The District received \$332,000 in grant funding, and \$83,000 in the form of a no interest loan, to conduct the study and design the system upgrade. Previously, the District had exceeded the MCL for Total Trihalomethanes (TTHM) and is in the process of designing a production well that will blend out the TTHMs and bring the District into compliance with secondary drinking water standards. Imputed interest for this loan is not material. The loan is payable semi-annually in the amount of \$8,300 every six months through January 1, 2020. The loan has been paid off as of June 30, 2020 and no additional payments are due.

State Water Resources Control Board Loan

On September 10, 2013, the District received project funds in the amount of \$4,020,026 from the Clean Water State Revolving Fund (CWSRF) for a sewer plant upgrade to comply with water quality effluent limitations under the Waste Discharge Requirements (WDR) Order No. 88-104. The project consisted of improvements to increase capacity within existing permit limitations, provide storage and lift the self-imposed sewer connection moratorium. The terms of the agreement include Contingent Principal Forgiveness of 50%, which is dependent on the District's performance under the obligations of the agreement, and repayment of the project funds (less the 50 percent principal forgiveness) at an interest rate of 2.6% per annum over 20 years. The loan is payable annually in the amount of \$133,781 every year through April 15, 2033.

Debt covenants for the loan agreement with the State Water Resources Control Board include a requirement for the District to maintain net income of at least 1.25 times its total annual debt service. The District did meet this requirement for the fiscal years ended June 30, 2021 and 2020. The State Water Resources Control Board maintains the right to demand full repayment of the loan; however demand on the loan has not been exercised.

**SANTA NELLA COUNTY WATER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**NOTE 4: LONG-TERM LIABILITIES (CONTINUED)**

The loan is paid annually and the future debt service payment is as follows:

<b>For the Year Ending June 30th</b>	<b>State Water Resources Control Board</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2022	98,317	35,464	133,781
2023	100,873	32,908	133,781
2024	103,496	30,285	133,781
2025	106,186	27,595	133,781
2026	108,947	24,834	133,781
2027-31	464,861	70,263	535,124
2032-33	381,344	19,999	401,343
	<u>\$ 1,364,024</u>	<u>\$ 241,348</u>	<u>\$ 1,605,372</u>

**San Luis Water District**

Santa Nella County Water District (the "District") purchases raw surface water from the San Luis Water District (SLWD) because they hold the federal CVP contract. SLWD had an "interim water contract" with the United States Bureau of Reclamation (Reclamation) that was renewed annually or bi-annually. In 2016, Congress passed the Water Infrastructure Improvements for the Nation Act (WIIN Act), which allowed federal CVP contractors to convert their "interim water contract" to a permanent water contract. One of the conditions was that the contractor had to pay their capital debt in full. Capital debt is each contractor's share of the infrastructure that makes the CVP project possible, for example, the San Luis Reservoir, Delta-Mendota, San Luis (CA Aqueduct) Canals, Forebay, and pump stations that convey CVP water from the north of the state to the south of the state. SLWD's proportionate share was approximately \$36 million, with the District's share of roughly \$1.5 million.

SLWD sold bonds to raise the funds needed to pay their capital debt in full and gave their customers the option of paying their share of SLWD capital debt in full, or over 20 years. The District elected to pay the debt over 20 years. The District would bill "landowners" that had transferred their water allocation to the District their portion of the capital debt (based on land acreage). This plan was included in the Water Rate Study adopted by the Board of Directors in July 2020 after a Proposition 218 Public Hearing.

In order to bill "landowners" and keep the SLWD Assessment revenue separate from the regular water usage revenue, the District built a database of landowners only and created a separate account to track the revenue. The District paid SLWD in September 2020 for year 1 of the 20 year plan, and subsequently billed landowners according to the rate schedule adopted by the Board in July (2020). Future payments in the amount of \$77,823 are due annually through September 2040.

**NOTE 5: RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage of, and destruction to assets; errors and omissions; injuries to contractors; and natural disasters. The District purchases insurance policies to cover the various risks it might have.

**NOTE 6: NON-DISTRICT OBLIGATION - IMPROVEMENT DISTRICT 1985-1**

The District established an Improvement District in 1985 which issued limited obligation debt secured solely by the assessed parcels. The District has no obligation for debt repayment out of the general resources of the District. All of the Improvement District's debt is noncommitment debt secured solely by the revenue stream from taxes assessed on parcels that benefit from infrastructure improvements financed by the Improvement District. The bonds are not a debt or liability of Santa Nella County Water District, or the State of California and will be payable solely from the resources generated by the Improvement District. The remaining outstanding debt obligation is \$2,110,000 and \$2,340,000 as of June 30, 2021 and 2020, respectively.

**SANTA NELLA COUNTY WATER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**NOTE 7: PENSION PLAN**

General Information about the Plan

All qualified permanent full and part-time District employees working at least 1,000 hours per year are eligible to participate in the District's cost-sharing multiple-employer defined benefit pension plan (Plan) administered by the California Public Employees' Retirement System (CalPERS). The Plan consists of individual rate plans (benefit tiers) within a safety risk pool (police and fire) and a miscellaneous risk pool (all other). Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The District sponsors two rate plans (both miscellaneous). Benefit provisions under the Plan are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

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. Active members belonging to the Classic Plan are required to contribute 7% of their annual covered salary. Active members belonging to the PEPR plan are required to contribute 6.75% of their annual covered salary. The District makes the contributions required of the Classic employees on their behalf and for their account.

The Plan's provisions and benefits in effect at June 30, 2021, is summarized as follows:

Hire Date	Classic Prior to January 1, 2013	PEPRA On or after January 1, 2013
Benefit Formula	2.0% at 55	2.0% at 62
Social Security Coverage	No	No
Full/Modified	Full	Full
Benefit Vesting Schedule	Five Years Schedule	Five Years Schedule
Benefit Payments	Monthly for Life	Monthly for Life
Retirement Age	55	62
Monthly Benefits, as a % of Eligible Compensation	2.0% to 2.5%	1.0% to 2.5%
Required Employee Contribution Rates	7.0%	6.25%
*Required Employer Contribution Rates	22.251%	8.107%

\*Employer Contribution rates include the employer normal cost rate and the unfunded accrued liability contribution.

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The District's contributions to the Plan for the years ended June 30, 2021 and 2020 were \$53,963 and \$58,833, respectively.

**SANTA NELLA COUNTY WATER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**NOTE 7: PENSION PLAN (CONTINUED)**

Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2021 and 2020, the District reported a net pension liability of \$345,965 and \$326,870, respectively for its proportionate share of the net pension liability of the Plan.

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of each Plan is measured as of June 30, 2020, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 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 net pension liability for each Plan as of June 30, 2021 and 2020 was as follows:

Proportion - June 30, 2020	0.00318 %
Proportion - June 30, 2021	0.00319 %
Change - Increase (Decrease)	0.00001 %

For the years ended June 30, 2021 and 2020, the District recognized pension expense of \$77,754 and \$79,369, respectively. At June 30, 2021 and 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2021		2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to the measurement date	\$ 53,963	\$ -	\$ 58,833	\$ -
Difference between actual contributions made by the employer and the employer's proportionate share of the risk pool's total contribution	15,482	-	15,658	-
Changes in assumptions	-	2,468	15,587	5,525
Differences between expected and actual experience	17,829	-	22,703	1,759
Adjustment due to differences in proportions	1,106	2,571	4,259	5,725
Net differences between projected and actual earnings on plan investments	<u>10,278</u>	<u>-</u>	<u>-</u>	<u>5,715</u>
Total	<u>\$ 98,658</u>	<u>\$ 5,039</u>	<u>\$ 117,040</u>	<u>\$ 18,724</u>

\$53,963 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ended June 30,	
2022	\$ 9,731
2023	14,908
2024	10,088
2025	<u>4,929</u>
Total	<u>\$ 39,656</u>

**SANTA NELLA COUNTY WATER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**NOTE 7: PENSION PLAN (CONTINUED)**

Actuarial Assumptions

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

	<u>Miscellaneous</u>	<u>Miscellaneous</u>
Valuation Date	June 30, 2019	June 30, 2018
Measurement Date	June 30, 2020	June 30, 2019
Actuarial Cost Method	Entry-Age Normal Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:		
Discount Rate	7.15%	7.15%
Inflation	2.50%	2.75%
Salary Increases	Varies by entry age and service	Varies by entry age and service
Investment Rate of Return	7.15% net of pension plan investment expenses; includes inflation	7.15% net of pension plan investment expenses; includes inflation
Mortality (1)	Derived using CalPERS membership data for all funds	Derived using CalPERS membership data for all funds
Post Retirement Benefit Increase	Contract COLA up to 2.50% until purchasing power protection allowance floor on purchasing power applies, 2.50% thereafter	Contract COLA up to 2.50% until purchasing power protection allowance floor on purchasing power applies, 2.50% thereafter

(1) The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using the Society of Actuaries 90 percent scale MP 2016. For more details on this table, please refer to the 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

All other actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the fiscal years 1997 to 2015, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's 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 on plan investments was 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 returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set to equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

**SANTA NELLA COUNTY WATER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**NOTE 7: PENSION PLAN (CONTINUED)**

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

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Real Return Years 1-10 (1)</u>	<u>Real Return Years 11+ (2)</u>
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Estate	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	(0.92%)

(1) An expected inflation of 2.00% used for this period

(2) An expected inflation of 2.92% used for this period

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

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

	<u>2021</u>	<u>2020</u>
1% Decrease	6.15 %	6.15 %
Net Pension Liability	\$ 534,049	\$ 501,517
Current Discount Rate	7.15 %	7.15 %
Net Pension Liability	\$ 345,965	\$ 326,870
1% Increase	8.15 %	8.15 %
Net Pension Liability	\$ 190,558	\$ 182,712

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

**NOTE 8: CONTINGENCIES**

**Public Health Emergency**

The World Health Organization declared the worldwide coronavirus (COVID-19) outbreak a public health emergency on January 30, 2020 and officially declared it as a pandemic as of March 11, 2020. Management has performed an evaluation of certain financial statement line items such as investments, accounts receivable, accounts payable, and accrued expenses to determine whether valuation or impairment adjustments should be made. Management has determined that the amounts reported on the financial statements are properly valued as of June 30, 2021. However, since the duration and full effects of the COVID-19 outbreak are yet unknown there could be future negative impacts to the financial condition of the District.

**NOTE 9: SUBSEQUENT EVENTS**

Subsequent events have been evaluated through January 10, 2022, which is the date the financial statements were issued.

## REQUIRED SUPPLEMENTARY INFORMATION

**SANTA NELLA COUNTY WATER DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
AS OF JUNE 30, 2021  
LAST 10 YEARS\***

	Measurement Period						
	2020	2019	2018	2017	2016	2015	2014
Proportion of the net pension liability	0.00318 %	0.00319 %	0.00324 %	0.00330 %	0.00354 %	0.00387 %	0.00387 %
Proportionate share of the net pension liability	\$ 345,965	\$ 326,870	\$ 307,727	\$ 321,408	\$ 285,627	\$ 242,789	\$ 241,084
Covered payroll	\$ 330,085	\$ 334,185	\$ 289,727	\$ 306,561	\$ 272,929	\$ 272,462	\$ 219,195
Proportionate share of the net pension liability as a percentage of covered payroll	104.81 %	97.81 %	106.21 %	104.84 %	104.65 %	89.11 %	109.99 %
Plan fiduciary net position as a percentage of the total pension liability	75.10 %	75.26 %	75.26 %	73.31 %	74.06 %	78.40 %	79.82 %

**Notes to Schedule:**

Changes in assumptions

For the measurement period June 30, 2018, the CalPERS Board adopted new mortality assumptions for plan participants 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 percent of scale MP 2016 published by the Society of Actuaries. The inflation assumption is reduced from 2.75 percent to 2.50 percent. The assumptions for individual salary increases and overall payroll growth are reduced from 3.00 percent to 2.75 percent.

For the measurement period ended June 30, 2017, the accounting discount rate was reduced from 7.65 percent to 7.15 percent. In 2016, the discount rate remained at 7.65 percent. In 2015, amounts reported reflect an adjustment of the discount rate from 7.50 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expenses). In 2014, amounts reported were based on the 7.50 percent discount rate.

\* Fiscal year 2015 was the 1st year of implementation, therefore only seven years are shown.



**SANTA NELLA COUNTY WATER DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF CONTRIBUTIONS TO THE COST SHARING DEFINED BENEFIT PENSION PLAN  
AS OF JUNE 30, 2021  
LAST 10 YEARS\***

	Fiscal Year-End						
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution (actuarially determined)	\$ 53,963	\$ 58,833	\$ 51,183	\$ 44,952	\$ 44,101	\$ 44,417	\$ 45,064
Contributions in relation to the actuarially determined contributions	<u>(53,963)</u>	<u>(58,833)</u>	<u>(51,183)</u>	<u>(44,952)</u>	<u>(44,101)</u>	<u>(44,417)</u>	<u>(45,064)</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Covered payroll	\$ 351,914	\$ 330,085	\$ 334,185	\$ 289,727	\$ 306,561	\$ 272,929	\$ 272,462
Contributions as a percentage of covered payroll	15.33 %	17.82 %	15.32 %	15.52 %	14.39 %	16.27 %	16.54 %

\* Fiscal year 2015 was the 1st year of implementation, therefore only seven years are shown.

## **SUPPLEMENTARY INFORMATION**

**SANTA NELLA COUNTY WATER DISTRICT  
COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Enterprise Funds</u>		
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<b><u>OPERATING REVENUE</u></b>			
Municipal and industrial water sales	\$ 750,891	\$ -	\$ 750,891
Wastewater user fees	-	865,146	865,146
Total operating revenue	<u>750,891</u>	<u>865,146</u>	<u>1,616,037</u>
<b><u>OPERATING EXPENSES</u></b>			
General & administrative	349,145	344,180	693,325
Transmission & distribution	309,067	237,468	546,535
Water supply	101,376	-	101,376
Depreciation	52,486	315,942	368,428
Total operating expenses	<u>812,074</u>	<u>897,590</u>	<u>1,709,664</u>
<b>OPERATING LOSS</b>	<u>(61,183)</u>	<u>(32,444)</u>	<u>(93,627)</u>
<b><u>NON-OPERATING REVENUES (EXPENSES)</u></b>			
Interest income	10,998	1,795	12,793
Interest expense	-	(37,437)	(37,437)
Miscellaneous	1,027	18,905	19,932
Rents & leases	-	1,500	1,500
Property taxes	46,564	46,564	93,128
Unrealized gain	(8,056)	(969)	(9,025)
Loss on Disposal of Fixed Assets	-	(5,052)	(5,052)
Total non-operating revenues (expenses)	<u>50,533</u>	<u>25,306</u>	<u>75,839</u>
<b>NET LOSS BEFORE RESTRICTED REVENUE SOURCES</b>	<u>(10,650)</u>	<u>(7,138)</u>	<u>(17,788)</u>
<b><u>LEGALLY RESTRICTED REVENUE SOURCES</u></b>			
Grant revenue (Restricted Use)	217,741	23,157	240,898
Total legally restricted revenues	<u>217,741</u>	<u>23,157</u>	<u>240,898</u>
<b>CHANGE IN NET POSITION</b>	<u>\$ 207,091</u>	<u>\$ 16,019</u>	<u>223,110</u>
<b>TOTAL NET POSITION, BEGINNING OF YEAR</b>			<u>13,718,366</u>
<b>TOTAL NET POSITION, END OF YEAR</b>			<u>\$ 13,941,476</u>

**SANTA NELLA COUNTY WATER DISTRICT  
COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2020**

	<b><u>Enterprise Funds</u></b>		
	<b><u>Water</u></b>	<b><u>Sewer</u></b>	<b><u>Total</u></b>
<b><u>OPERATING REVENUE</u></b>			
Municipal and industrial water sales	\$ 578,728	\$ -	\$ 578,728
Wastewater user fees	-	878,382	878,382
Total operating revenue	<u>578,728</u>	<u>878,382</u>	<u>1,457,110</u>
<b><u>OPERATING EXPENSES</u></b>			
General & administrative	326,230	346,082	672,312
Transmission & distribution	231,143	255,019	486,162
Water supply	60,423	-	60,423
Depreciation	49,265	308,624	357,889
Total operating expenses	<u>667,061</u>	<u>909,725</u>	<u>1,576,786</u>
<b>OPERATING LOSS</b>	<u>(88,333)</u>	<u>(31,343)</u>	<u>(119,676)</u>
<b><u>NON-OPERATING REVENUES (EXPENSES)</u></b>			
Interest income	15,898	3,485	19,383
Interest expense	-	(39,901)	(39,901)
Miscellaneous	739	477	1,216
Rents & leases	-	1,500	1,500
Property taxes	46,006	46,006	92,012
Unrealized gain/loss	11,855	1,916	13,771
Total non-operating revenues (expenses)	<u>74,498</u>	<u>13,483</u>	<u>87,981</u>
<b>NET LOSS BEFORE RESTRICTED REVENUE SOURCES</b>	<u>(13,835)</u>	<u>(17,860)</u>	<u>(31,695)</u>
<b><u>LEGALLY RESTRICTED REVENUE SOURCES</u></b>			
Grant revenue (Restricted Use)	<u>2,977,511</u>	<u>57,397</u>	<u>3,034,908</u>
Total legally restricted revenues	<u>2,977,511</u>	<u>57,397</u>	<u>3,034,908</u>
<b>CHANGE IN NET POSITION</b>	<u>\$ 2,963,676</u>	<u>\$ 39,537</u>	<u>3,003,213</u>
<b>TOTAL NET POSITION, BEGINNING OF YEAR</b>			<u>10,715,153</u>
<b>TOTAL NET POSITION, END OF YEAR</b>			<u>\$ 13,718,366</u>



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors of  
Santa Nella County Water District  
Santa Nella, 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 business-type activities of the Santa Nella County Water District (the "District"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Santa Nella County Water District's basic financial statements and have issued our report thereon dated January 10, 2022.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Santa Nella County Water District's internal control over financial reporting (internal control) as a basis for designing 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 Santa Nella County Water District's internal control. Accordingly, we do not express an opinion on the effectiveness of Santa Nella County Water District's internal control.

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Santa Nella County Water 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sacramento, California  
January 10, 2022