



BOARD OF DIRECTORS MEETING AGENDA

**December 2, 2021 Regular Meeting
6:30 p.m.**

Meeting link:

<https://sweetwaterspringswaterdistrict.my.webex.com/sweetwaterspringswaterdistrict.my/j.php?MTID=m7093369b680ceb93e980ac9a2f23b5b8>

Meeting number: 2557 429 6769

Password: MHeCsF9GJ25

OR

Join by phone: +1-415-655-0001 US Toll

Access code: 2557 429 6769

Password: 64327394

All guests that join the virtual meeting will be muted with their camera/ video turned off. Guest(s) will be unmuted and video turned on when they are speaking. Proper decorum including appearance is required.

NOTICE TO PERSONS WITH DISABILITIES: It is the policy of the Sweetwater Springs Water District to offer its public programs, services and meetings in a manner that is readily accessible to everyone, including those with disabilities. Upon request made at least 48 hours in advance of the need for assistance, this Agenda will be made available in appropriate alternative formats to persons with disabilities. This notice is in compliance with the Americans with Disabilities Act (28 CFR, 35.102-35.104 ADA Title II).

Any person who has any questions concerning any agenda item may call the General Manager or Assistant Clerk of the Board to make inquiry concerning the nature of the item described on the agenda; copies of staff reports or other written documentation for each item of business are on file in the District Office and available for public inspection. All items listed are for Board discussion and action except for public comment items. In accordance with Section 5020.40 et seq. of the District Policies & Procedures, each speaker should limit their comments on any Agenda item to five (5) minutes or less. A maximum of twenty (20) minutes of public comment is allowed for each subject matter on the Agenda unless the Board President allows additional time.

I. CALL TO ORDER (***Est. time: 2 min.***)

- A. Board members Present
- B. Board members Absent
- C. Others in Attendance

II. CHANGES TO AGENDA and DECLARATIONS OF CONFLICT
(Est. time: 2 min.)

III. CONSENT CALENDAR **(Est. time: 5 min.)**

(Note: Items appearing on the Consent Calendar are deemed to be routine and non-controversial. A Board member may request that any item be removed from the Consent Calendar and added as an “Administrative” agenda item for the purposes of discussing the item(s)).

- A. Approval of the Minutes of the November 4, 2021 Board Meeting, the November 17, 2021 Special Meeting, and the November 23, 2021 Special Meeting
- B. Approval of Operations Warrants/Online payments/EFT payments
- C. Receipt of Item(s) of Correspondence.
Note: Correspondence received regarding an item on the Administrative Agenda is not itemized here, but will be attached as back-up to that item in the Board packet and addressed with that item during the Board meeting.
- D. Action to Reconfirm findings of Resolution 21-18 re continuation of remote meetings

IV. PUBLIC COMMENT: The District invites public participation regarding the affairs of the District. This time is made available for members of the public to address the Board regarding matters which do not appear on the Agenda, but are related to business of the District. Pursuant to the Brown Act, however, the Board of Directors may not conduct discussions or take action on items presented under public comment. Board members may ask questions of a speaker for purposes of clarification.

V. ADMINISTRATIVE

- A. Discussion/Action re Jerry Keys 14473 Old Cazadero Rd Service *(Est. time 10 min.)*
- B. Discussion/Action re Election of 2022 Officers *(Est. time 10 min.)*
- C. Discussion/Action re Resolution 21-21, Accepting the Audit for the Fiscal Year Ending June 30, 2021 *(Est. time 10 min.)*

VI. GENERAL MANAGER'S REPORT

VII. BOARD MEMBERS' ANNOUNCEMENTS

VIII. ITEMS FOR NEXT AGENDA

IX. CLOSED SESSION

- A. Pursuant to Gov. Code Section 54957(b)(1)-PUBLIC EMPLOYEE PERFORMANCE EVALUATION
Title: All employees
- B. CONFERENCE WITH LEGAL COUNSEL—ANTICIPATED LITIGATION
Significant exposure to litigation pursuant to paragraph (2) of subdivision (d) of Section 54956.9: Two (2) cases

ADJOURN

Sweetwater Springs Water District Mission and Goals

The mission of the Sweetwater Springs Water District (SSWD) is to provide its customers with quality water and service in an open, accountable, and cost-effective manner and to manage District resources for the benefit of the community and environment. The District provides water distribution and maintenance services to five townships adjacent to the Russian River:

- Guerneville
- Rio Nido
- Guernewood Park
- Villa Grande
- Monte Rio

GOAL 1: IMPLEMENT SOUND FINANCIAL PRACTICES TO ENSURE EFFECTIVE UTILIZATION OF DISTRICT RESOURCES

GOAL 2: PROVIDE RELIABLE AND HIGH QUALITY POTABLE WATER WITH FACILITIES THAT ARE PROPERLY CONSTRUCTED, MANAGED AND MAINTAINED TO ASSURE SYSTEM RELIABILITY

GOAL 3: HAVE UPDATED EMERGENCY PREPAREDNESS PLANS FOR ALL REASONABLE, FORESEEABLE SITUATIONS

GOAL 4: DEVELOP AND MAINTAIN A QUALITY WORKFORCE

GOAL 5: PROVIDE EXCELLENT PUBLIC OUTREACH, INFORMATION AND EDUCATION

GOAL 6: ENHANCE BOARD COMMUNICATIONS AND INFORMATION



BOARD MEETING MINUTES*

Meeting Date: November 4, 2021

(*In order discussed)

November 4, 2021
6:30 p.m.

Board Members Present:

Tim Lipinski
Gaylord Schaap
Larry Spillane
Sukey Robb-Wilder
Rich Holmer

Board Members Absent:

(None)

Staff in Attendance:

Ed Fortner, General Manager
Julie Kenny, Secretary to the Board

Others in Attendance:

Rachel Hundley, Legal Counsel
Michael Celentano, District Auditor

I. CALL TO ORDER (6:37 p.m.)

The properly agendized meeting was called to Order by President Robb-Wilder at 6:32 p.m.

II. CHANGES TO AGENDA and DECLARATION OF CONFLICT (6:37 p.m.)

(None.)

III. CONSENT CALENDAR (6:33 p.m.)

President Robb-Wilder reviewed the items on the Consent Calendar. Discussion ensued. Item III-B (Approval of Operations Warrants/Online payments/EFT payments) was pulled from the Consent Calendar to be considered later in the meeting. Further discussion ensued. Director Schaap moved to approve the Consent Calendar. Director Lipinski seconded the motion. Motion carried 4-0 (Director Holmer was temporarily absent.) The following items were approved:

- A. Approval of the Minutes of the September 2, 2021 Board Meeting and the Sep2tember 20, 2021 Special Board Meeting
- B. (Removed from the Consent Calendar for consideration later in the meeting.)
- C. Receipt of items of Correspondence (None)

- D. Reconfirming circumstances of COVID-19 state of emergency, Resolution 21-18 findings and authorizing continued remote meetings.

IV. PUBLIC COMMENT (6:46 p.m.)

(None.)

V. ADMINISTRATIVE (6:46 p.m.) *

**in the order discussed*

- V-A. (6:46 p.m.) Discussion/Action re FY 2020-2021 Audit Report (presentation by Michael Celentano).** The GM provided an overview of this item. District Auditor Michael Celentano presented the Draft FY 2020-21 Audit. Discussion ensued. No action was taken but the Audit will be brought back for final approval at the December meeting.
- V-B. (7:07 p.m.) Discussion/Action re Resolution 21-19, Michael Celentano, Auditor Contract Extension.** The GM provided an overview of this item. Director Holmer moved to approve Resolution 21-19, Approving a Contract for Audit Services with Michael Celentano, CPA for FY 2021-2022 and 2022-2023. Director Spillane seconded. Motion carried 5-0.
- V-C. (7:10 p.m.) Discussion/Action re Ratifying Resolution 21-20, Regional Government Services (TGS) Contract** District Counsel Rachel Hundley provided an overview of this item. Board discussion ensued. Director Holmer moved to approve Resolution 21-20, Ratifying an Agreement for Human Resources Consulting Services with Regional Government Services. Director Lipinski seconded. Motion carried 5-0.
- V-D. (7:15 p.m.) Discussion/Action re Jerry Keys 14473 Old Cazadero Rd.** After brief discussion this item was postponed to the December meeting so that Mr. Keys could attend.
- V-E. (7:16 p.m.) Discussion/Action re FY 2021-2022 Actual vs. Budgeted Report – 1Q.** The GM provided an overview of this item. Discussion ensued. No action was taken.
- V-F. (7:26 p.m.) Discussion/Action re Summary of Meeting with Supervisor Lynda Hopkins and Sonoma Water representative.** The GM provided an overview of this item. Discussion ensued. No action was taken.
- V-G (8:04 p.m.) Discussion/Action re Lower Russian River Municipal Advisory Committee (LRRMAC) Update (Director Spillane).** Director Spillane provided a report on this item. Brief discussion ensued. No action was taken.
- III-B (8:16 p.m.) Approval of Operations Warrants/Online payments/EFT payments.** The GM provided an overview of this item. Director Robb-Wilder moved to approve the October financial payments. Director Lipinski seconded. Motion carried 5-0.

VI. GENERAL MANAGER'S REPORT (8:23 p.m.)

The GM provided a report on the following items:

1. Laboratory testing
2. Water production and sales
3. Leaks
4. Guerneville rainfall
5. In-House Construction Projects

6. Lower Russian River Community Advisory Group Governance Meeting, including report by Director Holmer
7. Personnel
8. Monte Rio Bridge
9. 2020 Water Audits
10. CDBG Funding
11. Flume Pilot Project
12. Gantt Chart
13. Economic Impact of No Disconnects for Non-payment

Discussion ensued.

VII. BOARD MEMBERS' ANNOUNCEMENTS/COMMENTS (8:55 p.m.)

Director Robb-Wilder announced she would be out of the country in January.

VIII. ITEMS FOR THE NEXT AGENDA (8:57 p.m.)

1. FY 2020-21 Audit
2. James Key property
3. Election of Board officers
4. Budget impacts of extra personnel hire
5. Covid-Related issues

IX. CLOSED SESSION (9:07 p.m.)

At 9:07 p.m., President Robb-Wilder announced the Closed Session items. At 9:08 p.m. the Board took a brief break. At 9:15 p.m. the meeting reconvened and the Board went into Closed Session. At 10:45 p.m. the meeting reconvened and the following action was announced:

- A. Pursuant to Gov. Code Section 54957(b)(1) – Public Employee Performance Evaluation**
Title: All employees
No action was taken.

- C. Conference with Legal Counsel – Anticipated Litigation. Significant exposure to litigation pursuant to paragraph (2) of subdivision (d) of Section 54956.9**
Number of cases: 2
No action was taken.

ADJOURN

The meeting adjourned at 10:46 p.m.

Respectfully submitted,

Julie Kenny
Clerk to the Board of Directors

APPROVED:

Gaylord Schaap: _____

Sukey Robb-Wilder: _____
Tim Lipinski: _____
Rich Holmer _____
Larry Spillane _____



SPECIAL BOARD MEETING MINUTES*

Meeting Date: November 17, 2021

(*In order discussed)

November 17, 2021
2 p.m.

Board Members Present: Tim Lipinski
Larry Spillane
Rich Holmer
Gaylord Schaap

Board Members Absent: Sukey Robb-Wilder

Staff in Attendance: Ed Fortner, General Manager

Others in Attendance: Rachel Hundley, Legal Counsel
Deborah Muchmore

I. CALL TO ORDER (2:05 p.m.)

The properly agendized meeting was called to Order by Vice President Tim Lipinski at 2:05 p.m.

II. PUBLIC COMMENT (2:05 p.m.)

(None.)

III. CLOSED SESSION (2:05 p.m.) *

**in the order discussed*

At 2:05 p.m., Vice President Lipinski announced the Closed Session items. At 2:08 p.m. the Board went into Closed Session. At 3:48 p.m. the meeting reconvened and the following action was announced:

- A. Pursuant to Gov. Code Section 54957(b)(1)-PUBLIC EMPLOYEE PERFORMANCE EVALUATION**
Title: All Employees
No action was taken.
- B. CONFERENCE WITH LEGAL COUNSEL—ANTICIPATED LITIGATION**
Significant exposure to litigation pursuant to paragraph (2) of subdivision (d) of Section 54956.9: two cases
No action was taken.

ADJOURN

The meeting adjourned at 3:50 p.m.

Respectfully submitted,

Ed Fortner
Acting Clerk to the Board of Directors

APPROVED:

Gaylord Schaap: _____
Sukey Robb-Wilder: _____
Tim Lipinski: _____
Rich Holmer _____
Larry Spillane _____



SPECIAL BOARD MEETING MINUTES*

Meeting Date: November 23, 2021

(*In order discussed)

November 23, 2021
2 p.m.

Board Members Present: Tim Lipinski
Larry Spillane
Rich Holmer
Gaylord Schaap
Sukey Robb-Wilder

Board Members Absent: (None)

Staff in Attendance: Ed Fortner, General Manager

Others in Attendance: Rachel Hundley, Legal Counsel

I. CALL TO ORDER (2:03 p.m.)

The properly agendized meeting was called to Order by President Sukey Robb-Wilder at 2:03 p.m.

II. PUBLIC COMMENT (2:03 p.m.)

(None.)

III. CLOSED SESSION (2:03 p.m.) *

**in the order discussed*

At 2:03 p.m., President Robb-Wilder announced the Closed Session items. At 2:04 p.m. the Board went into Closed Session. At 3 p.m. the General Manager joined the Closed Session. At 4:01 p.m. the meeting reconvened and the following action was announced:

A. Pursuant to Gov. Code Section 54957(b)(1)-PUBLIC EMPLOYEE PERFORMANCE EVALUATION

Title: All Employees

No action was taken.

B. CONFERENCE WITH LEGAL COUNSEL—ANTICIPATED LITIGATION

Significant exposure to litigation pursuant to paragraph (2) of subdivision (d) of Section 54956.9: two cases

No action was taken.

ADJOURN

The meeting adjourned at 3:50 p.m.

Respectfully submitted,

Ed Fortner
Acting Clerk to the Board of Directors

APPROVED:

Gaylord Schaap: _____
Sukey Robb-Wilder: _____
Tim Lipinski: _____
Rich Holmer _____
Larry Spillane _____

SWEETWATER SPRINGS WATER DISTRICT

TO: Board of Directors

AGENDA NO. III-D

FROM: Ed Fortner, General Manager

Meeting Date: December 2, 2021

SUBJECT: Reconfirming circumstances of COVID-19 state of emergency, Resolution 21-18 findings, and authorizing continued remote meetings

RECOMMENDED ACTION: Staff recommends the Board make a motion to reconfirm the findings made in Section 2 of Resolution 21-18 adopted September 30, 2021, and continue authorizing remote meetings pursuant to emergency procedures under the Brown Act.

FISCAL IMPACT: none

SUMMARY:

On September 30, 2021, the Board adopted Resolution 21-18 (attached to this report), which made certain findings related to the COVID-19 pandemic and its impact on the District's ability to meet safely in person. Specifically, by Section 2 of Resolution 21-18, the Board made the following findings: The Board of Directors has considered the circumstances of the state of emergency; and

The states of emergency, as declared by the Governor and County of Sonoma continue to impact directly the ability of the District's legislative bodies, as well as staff and members of the public, to meet in person safely; and Meeting in person would present imminent risks to the health and safety of members of the public, members of the District's legislative bodies, and District employees due to the continued presence and threat of COVID-19. Section 54953 of the Government Code, as amended by Assembly Bill 361 (2021), requires the Board to reconsider the circumstances of the state of emergency and make certain findings every thirty days in order to meet remotely under special teleconference rules. The Board may make these findings by motion, which would be recorded in the meeting minutes. If this item is approved as a part of the consent calendar, a "motion to approve" would, in effect, approve the staff recommendation described above.

Resolution No. 21-18

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE SWEETWATER SPRINGS WATER DISTRICT FINDING PROCLAIMED STATE OF EMERGENCY AND AUTHORIZING REMOTE TELECONFERENCE MEETINGS OF LEGISLATIVE BODIES

WHEREAS, all meetings of the legislative bodies of the Sweetwater Springs Water District (“District”) are open and public, as required by the Ralph M. Brown Act, Government Code Section 54950, *et seq*, and any member of the public may observe, attend, and participate in the business of such legislative bodies; and

WHEREAS, on March 4, 2020, Governor Newsom declared a State of Emergency as a result of the rapid spread of the novel coronavirus disease 2019 (“COVID-19”); and

WHEREAS, on March 4, 2020, the Board of Supervisors of the County of Sonoma ratified a Proclamation of a Local Emergency and Declaration of Local Health Emergency due to COVID-19; and

WHEREAS, on March 17, 2020, in response to the COVID-19 pandemic, Governor Newsom issued Executive Order N-29-20 suspending certain provisions of the Ralph M. Brown Act (“Brown Act”) in order to allow local legislative bodies to conduct meetings telephonically or by other means, after which District staff implemented virtual meetings for all meetings of legislative bodies within the District; and

WHEREAS, on June 11, 2021, Governor Newsom issued Executive Order N-08-21, which terminated the provisions of Executive Order N-29-20 that allows local legislative bodies to conduct meetings telephonically or by other means effective September 30, 2021; and

WHEREAS, on September 16, 2021, Governor Newsom signed Assembly Bill 361 (2021) (“AB 361”), which amended the Brown Act to allow local legislative bodies to continue to conduct meetings by teleconference under specified conditions and pursuant to special rules on notice, attendance, and other matters; and

WHEREAS, AB 361, pursuant to Executive Order N-15-21, took full effect on October 1, 2021 and requires the Board of Directors to make specific findings to continue meeting under special teleconference rules; and

WHEREAS, such findings include that the Governor has declared a State of Emergency pursuant to Government Code section 8625 and that the legislative body determines meeting in person would present imminent risks to the health and safety of attendees; and

WHEREAS, the Board of Director hereby finds a proclaimed state of emergency and that the presence of COVID-19 and the increase of cases due to the Delta variant would present imminent risks to the health or safety of attendees, including members of the public and District employees, should meetings of the District’s legislative bodies be held in person; and

WHEREAS, the Board of Directors and the General Manager shall ensure meetings of the District's legislative bodies comply with the special teleconference rules under the Brown Act, as amended by Assembly Bill 361.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Sweetwater Springs Water District as follows:

Section 1. Recitals. The Recitals set forth above are true and correct and are incorporated into this Resolution by this reference.

Section 2. Findings. In compliance with the special teleconference rules of Section 54953 of the Government Code, as established by Assembly Bill 361 (2021), the Board of Directors hereby makes the following findings:

The Board of Directors has considered the circumstances of the state of emergency; and

The states of emergency, as declared by the Governor and County of Sonoma continue to impact directly the ability of the District's legislative bodies, as well as staff and members of the public, to safely meet in person; and

Meeting in person would present imminent risks to the health and safety of members of the public, members of the District's legislative bodies, and District employees due to the continued presence and threat of COVID-19.

Section 3. Remote Teleconference Meetings. The District's legislative bodies may continue to meet remotely in compliance with the special teleconference rules of Section 54953 of the Government Code, as amended by Assembly Bill 361 (2021), in order to protect the health and safety of the public. The General Manager is hereby authorized and directed to take all actions necessary to carry out the intent and purpose of this Resolution.

Section 4. Review After 30 Days. The Board of Directors will review these findings and the need to conduct meetings by teleconference within thirty (30) days of adoption of this resolution

Section 5. Effective Date of Resolution. This Resolution shall take effect immediately upon its adoption.

[Continued on next page.]

I hereby certify that the foregoing is a full, true, and correct copy of a Resolution duly and regularly adopted and passed by the Board of Directors of the Sweetwater Springs Water District, Sonoma County, California, at a meeting held on September 30, 2021, by the following vote:

Director	Aye	No
Sukey Robb-Wilder	_____	_____
Tim Lipinski	_____	_____
Richard Holmer	_____	_____
Gaylord Schaap	_____	_____
Larry Spillane	_____	_____

Sukey Robb-Wilder
President of the Board of Directors

Attest: Julie A. Kenny
Clerk of the Board of Directors

SWEETWATER SPRINGS WATER DISTRICT

TO: Board of Directors

AGENDA NO. V-A

FROM: Ed Fortner, General Manager

Meeting Date: December 2, 2021

SUBJECT: Gerald Keys 14473 Old Cazadero Road Application for Service

RECOMMENDED ACTION:

Receive report, and Mr. Keys request to waive Capacity fees.

FISCAL IMPACT:

\$7,489.95

DISCUSSION:

This item was on the November 4 Board Meeting agenda. Mr. Keys was not able to attend, so it was again agendized for the December 2 Board Meeting.

A potential buyer for the property at 14473 Old Cazadero Road contacted the District to determine the cost to establish service. Jack Bushgen investigated the location and checked with Julie Kenny as to existing service. There has never been an active account or service to this location by the District. The District did discover a meter at this location in 2008. The meter was pulled, and a shell account was created to track the location. This home has been vacant since at least 1992 when the District began business. Since there has never been District service to this location, it was determined that this service application would fall under a new service request. District policy states that all new services will pay a Capacity charge and pay for all expenses to meet current District specifications.

Mr. Keys, the property owner, has spoken with Julie and Jack and disagrees with this decision. I was briefed by Julie and Jack and talked to Mr. Keys on 10/26/2021. I agree with staff that this application should be treated as a new service and should pay the Capacity fee, be put on the list for our annual assessment, and pay to upgrade the service to current standards. Mr. Key expressed interest in being put on the agenda to protest the decision. Mr. Keys submitted a letter (attached) to that effect.

10/21/2021
Mike Kittel
3953 bones road
Sebastopol, CA 95472

New Service Request at:

**14473 old Cazadero road
Guerneville, CA 95446
Parcel No. 072-080-051**

Dear Mr. Kittel

This letter is to confirm that water is available for the above-referenced property. The cost to you shall be:

Service Installation (1" meter): **\$ 3,215.09**
(Payable to "**Sweetwater Springs Water District**")
(Includes 1-inch cts service line, meter, meter box,
and a customer isolation valve at the meter.)

Capacity charge: **\$ 7,489.95 ***

*** (Payable to "County of Sonoma")**

(Covers all flat charges due thru FY 2021-22. After this one-time payment, a line item of \$198/year will appear on your property tax bill as "Sweetwater Improvements")

*** Pays flat charges thru FY 2021-22**

TOTAL: \$10,705.04

The district will only guarantee that pressure and flow for this water service will meet minimum requirements at the site of the meter.

The cost and availability of this water service are for ninety (60) days from this date. The District must receive full payment of all costs prior to installing the service. Should you postpone actual installation until after that 60 days have passed, the District will have to re-evaluate the availability and cost to bring water service to the property.

Our installation of this water service does not assure compliance with the County Fire Marshall's requirements, nor any requirements set forth by the Director for Permit and Resource Management. **If you are required to install a tank, the District requires backflow prevention device before the service will be turned on.**

If you have any further questions, please contact me at our District office at 869-4000.

Very truly yours

Jack Bushgen
Field Manager

From: jerry.keys
To: efortner@sweetwatersprings.com
Subject: Water bill for 14473 Old Casadero road Guerneville, CA
Date: Tuesday, October 26, 2021 11:34:33 PM

Sweetwater Springs Water District My name is Gerald Keys, living in Concord CA. I've own a vacation cabin in Guerneville since 2000, I'm in the process of selling it, Now. 10/2021 . Recently my buyer Brian Harbour informed me there is a huge water bill on the property. I was shocked!! This bill refers to a water service that was never turned on. At my first visit 2000 on the property I called your office and an employee came out. He showed me the meter but didn't unlock it, as the pipes were rusted. He told me to call the office when I was ready to have water turned on. I never did, as I put in copper pipes that were stolen. All these years I have never had water service there as I work mostly in Concord. Neighbors next door let me use their hose. I never received water bills, nor were they on my taxes.!, I think it is your responsibility to notify me of your billing practice. I think these charges should be forgiven.

SWEETWATER SPRINGS WATER DISTRICT

TO: Board of Directors

AGENDA NO. V-B

FROM: Ed Fortner, General Manager

Meeting Date: December 2, 2021

SUBJECT: 2021 ORGANIZATION MEETING / BOARD ELECTIONS

RECOMMENDED ACTION: Elect Board officers for the coming year.

FISCAL IMPACT: none

DISCUSSION:

District policy requires the election of officers for the coming year at the December Board meeting unless there is a change in the Board due to the November election. District policy states: "5000.50 Annual Organizational Meeting: The Board of Directors shall hold an annual organizational meeting at its regular meeting in December, except in years when new Directors are elected to the Board at the November regular election and seated after the regular December meeting. In those years, the annual organization meeting will be held at the regular January meeting. At this annual meeting, the Board will select and appoint officers, as described in sections 4050.11 through 4050.13, from among its members to serve during the coming calendar year." Sections 4005.11 through 4050.13 describe the positions of President, Vice President, and Financial Coordinator.

This year there are no new Directors to be seated after the December meeting; thus, the Board will select and appoint officers at the December meeting.

SWEETWATER SPRINGS WATER DISTRICT

TO: Board of Directors

AGENDA NO. V-C

FROM: Ed Fortner, General Manager

Meeting Date: December 2, 2021

Subject: DISCUSSION/ACTION RE RESOLUTION 21-21, ACCEPTING THE FINAL
AUDIT FOR THE FISCAL YEAR ENDING JUNE 30, 2021

RECOMMENDED ACTION:

Approve Resolution 21-21, Accepting the Final Audit for the Fiscal Year Ending June 30, 2021.

FISCAL IMPACT:

(Preparation of the FY 2020-21 Audit cost \$8,250.)

DISCUSSION:

Our FY 2020-21 Audit was conducted by Michael Celentano, CPA. Mr. Celentano discussed the Audit with you at our November meeting.

Staff recommends the Board approve Resolution 21-21, Accepting the Final Audit for the Fiscal Year Ending June 30, 2021.

Resolution No. 21-21

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE SWEETWATER SPRINGS WATER DISTRICT ACCEPTING THE FINAL AUDIT FOR THE FISCAL YEAR ENDING JUNE 30, 2021

WHEREAS, the Sweetwater Springs Water District is required to have annual audits performed relative to the spending of public funds; and

WHEREAS, Michael Celentano, CPA provides said auditing service and is under contract with the District to perform such audits.

NOW, THEREFORE BE IT RESOLVED, that the Board of Directors of the Sweetwater Springs Water District has reviewed the audit as prepared by Michael Celentano, CPA for the year ending June 30, 2021, and accepts the information contained therein.

I hereby certify that the foregoing is a full, true, and correct copy of a Resolution duly and regularly adopted and passed by the Board of Directors of the SWEETWATER SPRINGS WATER DISTRICT, Sonoma County, California, at a meeting held on December 2, 2021, by the following vote.

Director	Aye	No
Sukey Robb-Wilder	_____	_____
Tim Lipinski	_____	_____
Rich Holmer	_____	_____
Gaylord Schaap	_____	_____
Larry Spillane	_____	_____

Sukey Robb-Wilder
President of the Board of Directors

Attest: Julie A. Kenny
Clerk of the Board of Directors

SWEETWATER SPRINGS WATER DISTRICT

BASIC FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

**SWEETWATER SPRINGS WATER DISTRICT
FINANCIAL STATEMENTS**

JUNE 30, 2021 AND 2020

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Management Discussion & Analysis (Unaudited)

Management has prepared this financial overview of the activities of the Sweetwater Springs Water District for the fiscal year ended June 30, 2021. It serves as an introduction to the financial statements contained in the Audit Report and a summary of major activities of the District for the fiscal year. Much of the analysis is comparative to last year's activity.

The Discussion begins with a comparison of key financial activities to the prior year, together with a selection of financial activities that management considers worthy of special note for FY 2020-21. The condensed financial statements that follow provide a complete financial summary of the Audit Report. Following the financial statements are additional details on capital spending, District debt and future plans of the District.

I. SELECTED FINANCIAL ACTIVITIES IN 2020-21

Selected revenues, expenses, and balances:

	<u>FY 2020-21</u>	<u>FY 2019-20</u>
Water Sales:	\$2,756,680	\$2,600,592
Net Income (Change in Net Position):	\$1,657,538	\$1,326,785
Net Income excluding non-cash rev/exp:	\$652,668	\$384,249
Surplus operating income transferred to CIRF:	\$270,000	\$190,000
Operating Expenses (before depreciation):	\$1,971,245	\$1,915,118
Capital Improvement expenditures:	\$244,180	\$64,472
Debt Payments (principal + interest):	\$1,141,570	\$1,028,074
District reserves above policy:	\$2,351,087	\$2,020,353
Net Pension Liability (PERS UL):	\$104,210	\$483,508
Capital Debt:	\$9,689,186	\$10,561,406

Other Notes for FY 2020-21

(1) Fire event. In August 2020, the Walbridge Fire precipitated mandatory evacuations in our service area. The District filed a FEMA claim for 75% reimbursement for preventative brush removal on Mt. Jackson, but at FYE no funds had been received and this project was put on hold.

(2) Grant received: In FY 2020-21 the District was approved to receive \$115,900 in Community Development Block Grant (CDBG) funding for CIP 2021 Design costs from the Community Development Commission (CDC). A total of \$93,283 was received as of FYE.

(3) Extra payment made to PERS to reduce Net pension liability (UL). In FY 2020-21 the District made a second extra UL payment to PERS in the sum of \$500,000, in addition to the \$500,000 extra payment made in FY 2019-20. These extra payments were financed in-house by the District's policy reserves, to be reimbursed over a period of seven years beginning in FY 2020-21. The extra UL payments reduced District UL from \$955,362 in FY 2018-19 to \$483,508 in FY 2019-20 to \$104,210 in FY 2020-21.

(4) Coronavirus (COVID) pandemic. The impact of the global pandemic on the District's financial activities has been insignificant and is therefore not called out in this Audit.

II. BASIC FINANCIAL STATEMENTS

The Financial Statements of the District report information about the District using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about its activities. The two statements contained in this Management's Discussion and Analysis are condensed versions of the statements in the Audit Report:

The Statement of Net Position is comparable to a Balance Sheet. It includes all of the District's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations of the District's creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the District, and assessing the liquidity and financial flexibility of the District.

All of the current fiscal year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position, comparable to an Income Statement. This statement measures the success of the District's operations over the past fiscal year and can be used to determine the District's creditworthiness and whether the District has successfully recovered all its costs through its user fees and other charges.

Not included in this Management's Discussion and Analysis but required in the Audit report is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the District's cash receipts and cash payments during the reporting period. It provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

STATEMENT OF NET POSITION

A summary of the District's Statement of Net Position in FY 2020-21 compared to FY 2019-20 is presented in Table 1 below. Generally, an increase in the District's net position is a good indicator of whether its financial health is improving or deteriorating. The District's net position increased by \$652,668 to \$13,263,893 at FYE 2021, up from \$12,611,225 at FYE 2020, largely due to reducing our pension (part of "Other long-term liabilities" in the table below) and debt liabilities.

Condensed Statement of Net Position

	<u>FYE 2021</u>	<u>FYE 2020</u>	<u>\$ Change</u>	<u>% Change</u>
Cash	3,025,538	3,025,913	(375)	0.0%
Capital Assets	19,776,879	20,357,734	(580,855)	-2.9%
Other Assets	450,747	462,658	(11,911)	-2.6%
Total Assets	23,253,165	23,846,305	(593,140)	-2.5%
Bond & Loan principal debt outstanding	9,689,186	10,561,406	(872,220)	-8.3%
Other long-term liabilities	157,795	531,592	(373,797)	-70.3%
Other short-term liabilities	142,291	142,082	209	0.1%
Total Liabilities	9,989,272	11,235,080	(1,245,808)	-11.1%
Net investment in capital assets	10,087,693	9,796,329	291,364	3.0%
Restricted	0	0	0	
Unrestricted	3,176,200	2,814,896	361,304	12.8%
Total Net Position	13,263,893	12,611,225	652,668	5.2%

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

The Statement of Revenues, Expenses, and Changes in Net Position provides additional information concerning this year's revenues and expenses that impacted net position. Table 2 below compares the District's Statement of Revenues, Expenses, and Changes in Net Position in FY 2020-21 versus FY 2019-20.

Table 2
Condensed Statement of Revenues, Expenses, and Changes in Net Position

	<u>FYE 2021</u>	<u>FYE 2020</u>	<u>\$ Change</u>	<u>% Change</u>
Water Sales	2,756,680	2,600,592	156,088	6.0%
Property Tax Assessment (flat charge)	845,486	786,565	58,921	7.5%
Non-Operating Revenues	291,565	209,891	81,674	38.9%
Total Revenues	3,893,731	3,597,048	296,683	8.2%
Operating Expenses:				
Salaries & Benefits	1,285,266	1,309,457	(24,191)	-1.8%
Services & Supplies	685,978	605,661	80,317	13.3%
				-
Total Operating Expenses	1,971,244	1,915,118	56,126	2.9%
Non-Operating Expenses:				
Interest	264,948	355,145	(90,197)	-25.4%
Other	0	0	0	0.0%
Total Non-Operating Expenses	264,948	355,145	(90,197)	-25.4%
Total Expenses	2,236,192	2,270,263	(34,071)	-1.5%
Income before Other Items and Depreciation Expense	1,657,539	1,326,785	330,754	24.9%
Other income - unrealized investment gains	51,873	0	51,873	-
Other - PERS UL Interest & Assumption Chges	(155,254)	(83,597)	(71,657)	0.0%
Depreciation Expense	(901,490)	(858,939)	(42,551)	5.0%
Change in Net Position (Net Income)	652,668	384,249	268,419	69.9%

Income before Other Items and Depreciation Expense was \$1,657,538, an increase of \$330,753 from last fiscal year.

Total **revenues** were \$3,893,731, about 8.2% more than last year. Water Sales were up 6% from last year; charges for water were increased by 5%. Flat charge revenue, collected via property tax bills, is expected to remain constant from year to year at around \$750,000. This year it came in at \$845,486, bolstered by a one-time flat charge collection on a large construction project in Guerneville (West County Health Center). Non-operating revenues -- \$291,565 -- consist primarily of (1) interest income; (2) rent received from cell tower tenants on the District's Mt. Jackson property; and (3) construction of new services during the fiscal year.

On the expense side, total **expenses** decreased by \$34,070, or 1.5%, compared to last year mostly due to decreases in capital interest expense. Salaries & Benefits also decreased as the District operated short-staffed for part of the year.

Income after accounting for "Other Items" (Change in Net Position) was \$652,668 at FYE, compared to \$384,249 in FY 2019-20. Included in "other items" are non-cash revenues/expenses. They include (1) Unrealized investment earnings/losses on District funds invested with the Public Agency Retirement Service (PARS); (2) PERS interest charges on UL, as well as adjustments to UL due to changes in PERS

assumptions that impact the calculation of projected future costs of the District's retirement program.; and (3) Depreciation expense calculations.

III. CAPITAL SPENDING

In FY 2020-21, the District began CIP 2021, and also completed a small emergency project in Monte Rio.

Project	Project Description	Amount spent FY 2020-21	% complete at FYE 2021
CIP 2021	Replace 5600 lf of galvanized pipe and lead goosenecks with 6" HDPE main on Old River Rd and Woodland Dr.	\$114,958	Unknown. At FYE, construction portion not yet out to bid.
Main St. Monte Rio Emergency Project	Replace 1040' of 4" steel main with 6" HDPE prior to scheduled paving by the County of Sonoma.	\$129,222	100% complete.

In addition to these capital projects, a total of \$22,608 was spent on Tank/Facilities improvements and \$47,677 was spent to purchase a new utility truck.

IV. DISTRICT DEBT/SOURCES OF DEBT REPAYMENT

At the beginning of FY 2020-21, the District owed a total of \$10,561,405 in bond debt, state loans, and a private placement loan. During the year the District made \$872,219 in principal payments, including paying off the last State Loan one year early. No new debt was taken out in FY 2020-21. At FYE, the District owed a total of \$9,689,186 in borrowed funds.

The table below summarizes activity on the bonds and loans in FY 2020-21:

<u>DEBT TYPE</u>	<u>ORIGINAL PRINCIPAL</u>	<u>PRINCIPAL OWED JULY 1, 2020</u>	<u>PRINCIPAL PAID FY 2020-21</u>	<u>PRINCIPAL OWED FYE 2021</u>
USDA G.O. Bonds	\$1,647,875 (2014)	\$1,516,026	\$28,278	\$1,487,748
USDA G.O. Bonds	\$1,535,000 (2019)	\$1,535,000	\$25,000	\$1,510,000
Capital One Bonds	7,993,000 (2013)	\$5,623,892	\$368,000	\$5,255,892
State Loans	\$3,013,500 (1996)	\$282,727	\$282,727	\$0
Private Placement Loan	\$3,000,000 (2008)	\$1,603,760	\$168,215	\$1,435,545
		\$10,561,405	\$872,219	\$9,689,186

With interest, actual payments on District bond and loan debt were \$1,141,570. The District allocates revenue from flat charges, the CDR¹ portion of the Water Sales revenue, and capital interest to pay for annual principal and interest on debt, itemized for FY 2020-21 as shown below:

Flat Charges: \$848,198

¹ CDR stands for "Capital Debt Reduction".
Sweetwater Springs Water District
Management Discussion & Analysis
FY 2020-21

CDR Revenue:	\$316,573
Capital interest:	<u>\$10,722</u>
Total:	\$1,175,493

The surplus from these sources of revenue -- \$33,923 in FY 2020-21 – together with operating surpluses (\$270,000) forms the basis for in-house funding for capital construction.

V. DISTRICT RESERVES AND RESERVES ABOVE POLICY

The District adopted a Reserve Policy in 2009 that calls for leaving a designated amount of District funds in reserve for emergencies. All other District funds are considered “reserves above policy” and available for spending. In FY 2020-21, District policy reserves were \$1,402,661. However, during the year, \$500,000 of policy reserves were loaned to Operations in addition to the \$500,000 loaned in FY 2019-20 for the purpose of paying down pension (UL) debt. Payback on this loan also began this year, with the first of seven \$135,000 installments reimbursed to policy reserves from Operations. At FYE policy reserves net the portion of these loans still outstanding were \$537,661. Reserves above policy were \$2,351,087, as detailed below:

Total District Funds*:	\$2,888,748
Less Policy Reserves:	<u>(\$537,661)</u>
Reserves Above Policy:	\$2,351,087

** Does not include Operations checking accounts*

VI. ECONOMIC FACTORS, PROJECTED CAPITAL EXPENDITURES/SOURCES OF FUNDING

The bulk of the District’s income is tied to water sales and flat charge revenue, both unaffected in any major way by economic events. The bulk of the District's cash on hand - over 85 percent - is conservatively managed via the County of Sonoma’s investment pool. Interest rates remain low but invested principal is secure. In addition to funds invested with the County, the District has invested in mutual funds through the Public Agency Retirement System (PARS). Use of the PARS funds is limited to an amount no greater than the costs of the PERS retirement program. The PARS investment is similar to the District’s investment with the California Employee Retirement Benefit Trust (CERBT), managed by CalPERS. Use of funds invested with CERBT are limited to amounts no greater than the cost of retiree health benefits.

The District’s 2020-25 Capital Improvement Program identifies over \$3.7 million of additional capital projects. According to the District's long-term budget for this same time period annual capital construction costs will average about \$750,000. The District's capital construction is funded from four sources:

- **Surplus revenue.** The District’s goal is to increase surplus operating revenue to \$500,000 annually. In FY 2020-21 it was budgeted at \$270,000, and that amount was actually achieved. Together with surplus flat charge/CDR revenue of \$33,923, total surplus revenue in FY 2021 totalled \$303,923.
- **Grants.** At FYE the District was approved to receive \$115,900 in CDBG grant funding from the CDC. At FYE, \$93,283 had been received. The District is actively pursuing grant funding from several sources.
- **Loan proceeds.** The District is not considering incurring additional debt at FYE.
- **Reserves.** Reserves available for capital spending and capital debt ("reserves above policy") were at \$2,351,087 at FYE 2021. Less anticipated debt

expenditures in FY 2021-22 as well as funds with PARS and CERBT, reserves available for capital projects at FYE were \$1,231,117:

Reserves Above Policy:	\$2,351,087
Less FY 2021-22 debt payments:	(\$782,537):
Less funds at PARS/CERBT:	<u>(\$337,433)</u>
Reserves available for capital projects:	\$1,231,117

VII. REQUEST FOR INFORMATION

This financial report is designed to provide our customers and creditors with a general overview of the district's finances and to demonstrate the district's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Sweetwater Springs Water District at P.O. Box 48, Guerneville, California, 95446.

MICHAEL A. CELENTANO

Certified Public Accountant

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Yuma AZ 85367

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Board of Directors
Sweetwater Springs Water District
Guerneville, California

Independent Auditor's Report

I have audited the accompanying financial statements of the business-type activities of Sweetwater Springs Water District as of and for the year 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Basis for Qualified Opinion

Management has not adopted GASB Statement 68 "Accounting and Financial Reporting of Pension Plans." and amendments to GASB 68". Accounting principles generally accepted in the United States of America require that Deferred Inflows/Outflows and Adjusted Pension Expense be recorded currently which would increase the assets and liabilities and change the pension expense. The effect on Deferred Inflows/Outflows and payroll and employee benefits expenses has not been determined. See Footnote 6 for more detail.

Management has not adopted GASB Statement 75 “Accounting and Financial Reporting for Postemployment Benefits Other than Pensions”. Accounting principles generally accepted in the United States of America require that Unfunded Postemployment Benefit’s Liability, Deferred Inflows/Outflows and Adjusted Employee Benefits Expense be recorded currently which would increase the liabilities and decrease the fund balance and change the employee benefit expense. The amount by which this departure would affect the liabilities by increasing Net OPEB Liability by \$235,029 and decreasing fund balance by \$ \$235,029. The effect on Deferred Inflows/Outflows and payroll and employee benefit expenses has not been determined. See Footnote 11 for more detail.

Qualified Opinion

In my opinion, except for the effects of the matter described in the “Basis for Qualified Opinion” paragraphs, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Sweetwater Springs Water District as of June 30, 2021 and 2020 and the respective changes in financial position and cash flows thereof for the year 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 3-9 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.



Michael A Celentano
Certified Public Accountant

October 19, 2021

SWEETWATER SPRINGS WATER DISTRICT
STATEMENT OF NET POSITION
June 30, 2021 and 2020

	June 30, 2021	June 30, 2020
ASSETS		
CURRENT ASSETS		
Cash and investments	\$ 1,937,788	\$ 1,766,601
Accounts receivable	131,859	151,762
Flat charges receivables	30,622	33,333
Unbilled revenue	225,512	214,808
Inventory	56,505	56,505
Prepaid expenses	6,250	6,250
TOTAL CURRENT ASSETS	2,388,536	2,229,259
NONCURRENT ASSETS		
Land	143,053	143,053
Construction in progress	114,958	-
Buildings and improvements	32,429,180	32,277,351
Machinery and equipment	711,404	663,169
Less-accumulated depreciation	(13,621,716)	(12,725,839)
TOTAL CAPITAL ASSETS, NET	19,776,879	20,357,734
OTHER NONCURRENT ASSETS		
Restricted cash and investments	1,087,750	1,259,312
TOTAL OTHER NONCURRENT ASSETS	1,087,750	1,259,312
TOTAL ASSETS	23,253,165	23,846,305
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	8,098	-
Accrued wages	15,020	12,281
Accrued interest	99,016	103,418
Customer deposits	15,077	16,277
Road maintenance obligations	5,080	10,106
Current portion of long term debt	523,771	728,225
TOTAL CURRENT LIABILITIES	666,062	870,307
LONG TERM LIABILITIES		
Compensated absences	65,398	54,359
General obligation bonds payable	7,902,190	8,253,641
California safe drinking water bonds payable	-	143,429
Citizens business bank (COP) payable	1,263,225	1,436,111
Net pension liability	104,210	483,508
Other postemployment benefits payable	(11,813)	(6,275)
TOTAL LONG TERM LIABILITIES	9,323,210	10,364,773
TOTAL LIABILITIES	9,989,272	11,235,080
NET POSITION		
Net Investment in capital assets	10,087,693	9,796,329
Unrestricted	3,176,200	2,814,896
TOTAL NET POSITION	\$ 13,263,893	\$ 12,611,225

See accompanying notes to basic financial statements

SWEETWATER SPRINGS WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Fiscal Year Ended June 30, 2021 and 2020

	<u>Totals</u> <u>June 30, 2021</u>	<u>Totals</u> <u>June 30, 2020</u>
Operating Revenues		
Charges for services	\$ 2,756,680	\$ 2,600,592
Total Operating Revenues	<u>2,756,680</u>	<u>2,600,592</u>
Operating Expenses		
Salaries and employee benefits	1,285,266	1,309,457
Service and supplies	685,978	605,661
Depreciation	901,490	858,939
Total Operating Expenses	<u>2,872,734</u>	<u>2,774,057</u>
Operating Income (Loss)	<u>(116,054)</u>	<u>(173,465)</u>
Non-Operating Revenues (Expenses)		
Interest income	15,601	45,058
Rents	113,109	109,392
Flat charges	845,486	786,565
Grant income	93,283	
Other non-operating revenue	121,445	55,441
Change in actuarial assumptions	(135,975)	(33,628)
Interest expense unfunded pension liability	(19,279)	(49,969)
Interest expense	<u>(264,948)</u>	<u>(355,145)</u>
Total Non-Operating Revenues (Expenses)	<u>768,722</u>	<u>557,714</u>
Net Income (Loss)	652,668	384,249
Total Net Position, Beginning of Fiscal Year	<u>12,611,225</u>	<u>12,226,976</u>
Total Net Position, End of Fiscal Year	<u>\$ 13,263,893</u>	<u>\$ 12,611,225</u>

See accompanying notes to basic financial statements

SWEETWATER SPRINGS WATER DISTRICT
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2021 and 2020

	Totals June 30, 2021	Totals June 30, 2020
Cash Flows From Operating Activities		
Cash received from customers	\$ 2,764,679	\$ 2,575,819
Payments to suppliers for goods and services	(682,906)	(670,795)
Payments to employees and related items	(1,277,026)	(1,296,413)
Net cash flows provided by operating activities	804,747	608,611
Cash Flows From Capital and Related Financing Activities		
Acquisition of capital assets	(320,635)	(265,940)
Proceeds from long term debt	-	37,893
Grant income	93,283	
Payments on long term debt	(872,220)	(684,427)
Payments on net pension liability	(534,552)	(555,451)
Interest payments	(269,350)	(381,539)
Net cash flows (used) by capital and related financing activities	(1,903,474)	(1,849,464)
Cash Flows From Non-Capital and Related Financing Activities		
Flat charges	848,197	791,585
Miscellaneous non-operating revenues	121,445	55,441
Net cash provided by non-capital and related financing activities	969,642	847,026
Cash Flows From Investing Activities		
Rents	113,109	109,392
Interest income	15,601	45,058
Net cash flows provided by investing activities	128,710	154,450
Net Increase (Decrease) in Cash and Investments	(375)	(239,377)
Cash and Investments, Beginning of Fiscal Year	3,025,913	3,265,290
Cash and Investments, End of Fiscal Year	\$ 3,025,538	\$ 3,025,913
Reconciliation of Cash and Investments to Amounts Reported on the Statement of Net Position:		
Cash and investments	\$ 1,937,788	\$ 1,766,601
Restricted cash and investments	1,087,750	1,259,312
	\$ 3,025,538	\$ 3,025,913
Supplemental Disclosures:		
Interest expense during the fiscal year	\$ 264,948	\$ 355,145
Interest capitalized during the fiscal year	\$ -	\$ -

(continued)

See accompanying notes to basic financial statements

**SWEETWATER SPRINGS WATER DISTRICT
COMPARATIVE STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2021 and 2020**

(Continued)

	Totals June 30, 2021	Totals June 30, 2020
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operations:		
Operating income (loss)	\$ (116,054)	(173,465)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation	901,490	858,959
Salaries and employee benefits		
(Increase) Decrease in Operating Assets:		
Accounts receivable/Unbilled Revenue	9,199	(24,773)
Inventory		
Prepaid expenses		
Increase (Decrease) in Operating Liabilities:		
Accounts payable	8,098	(65,134)
Accrued wages	2,739	5,738
Compensated absences	11,039	4,282
Customer deposits payable	(1,200)	966
Road maintenance obligations	(5,026)	5,003
Other postemployment benefits payable	(5,538)	(2,945)
Total Adjustments	920,801	782,076
Net Cash Provided by Operating Activities	\$ 804,747	\$ 608,611

See accompanying notes to basic financial statements

SWEETWATER SPRINGS WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2021 AND 2020

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

The Sweetwater Springs Water District (District) was formed on December 6, 1988 with Resolution #88-2184 through an election under Section 30290 of the California State Water Code. The District supplies water services to residential and commercial users, and provides for connections to and the servicing of the delivering system. The District's Board of Directors has the responsibility of overseeing the financial activities of the District.

The District accounting policies conform to accounting principles generally accepted in the United States of America as applicable to governments, in accordance with the uniform system of accounts for water utility special enterprise districts as prescribed by the State Controller in compliance with the government code of the State of California.

B. Basis of Accounting

The District follows the accrual basis of accounting. The District's policy is to record all assets, liabilities, revenues, and expenses on the accrual basis of accounting and the flow of economic resources measurement focus. Under this method, revenue is recognized when earned and expenses are recognized when the related liability is incurred. In these funds, receivables have been recorded as revenue and provisions have been made for uncollectible amounts.

C. Proprietary Fund Accounting

The District has one fund which is considered a proprietary fund.

Proprietary Fund Financial Statements include a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows.

In accordance with GASB Statement No. 20 and No. 62, the District has opted to apply all applicable GASB pronouncements and all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements.

Operating revenues in the proprietary fund are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operation of the fund. All other expenses are reported as non-operating expenses.

D. Budgetary Reporting

The annual budget is prepared in accordance with the basis of accounting utilized by the District. The budget is not legally required and therefore budget to actual information has not been presented, either as a statement or required or other supplementary information.

SWEETWATER SPRINGS WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2021 AND 2020

Note 1: Summary of Significant Accounting Policies (Continued)

E. Receivables

Bad debts associated with accounts receivable for services are tracked each year by staff, but have been deemed immaterial. Other receivables, if any, are shown at the anticipated recoverable amount, unless otherwise noted.

F. Flat Charges Receivable

Flat charges receivable represent direct charges owed to the District by property owners.

G. Inventories

Inventory consists primarily of water meters, water pipes, valves and fittings. Inventory is valued at estimated cost.

H. Capital Assets

Property, plant, and equipment are recorded at cost or estimated historical cost if actual cost is not available. Contributed assets are recorded at their fair value at the time of transfer to the District. Assets with a value of \$1,000 or less are expensed in the years acquired.

Depreciation is recorded using the straight-line method over the estimated useful lives of the assets. Depreciation is recorded as an expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. The range of estimated useful lives are as follows:

Water system	20 - 40 years
Leasehold improvements	7 years
Equipment	3-5 years

I. Vacation and Sick Leave

Vacation pay is accrued by the District in the period earned. At June 30, 2021 and 2020, accrued vacation pay amounted to \$65,398 and \$54,359 respectively.

J. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

SWEETWATER SPRINGS WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2021 AND 2020

Note 2: Cash and Investments

The cash and investments are classified in the financial statements as shown below, based on whether or not their use is restricted under the terms of District debt instruments or District agreements.

The District's cash and investments are comprised of the following at June 30, 2021:

	Unrestricted	Restricted	Totals
Cash on hand	\$ 300	\$ -	\$ 300
Cash in bank	195,297	154,860	350,157
Cash and investments	1,742,191	932,890	2,675,081
Total Cash and Investments	\$ 1,937,788	\$ 1,087,750	\$ 3,025,538
Statement of Net Position:			
Cash and investments	\$ 1,937,788		
Restricted cash and investments	1,087,750		
Total	\$ 3,025,538		

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

The table below identifies the investment types that are authorized for the Sweetwater Springs Water District (District) by the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District's investment policy.

SWEETWATER SPRINGS WATER DISTRICT
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Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
State of California Obligations	5 years	None	None
CA Local Agency Obligations	5 years	None	None
U.S. Agencies	5 years	None	None
Bankers' Acceptances	180 days	40%	30%
Commercial Paper - Selected Agencies	270 days	25%	10%
Commercial Paper - Other Agencies	270 days	40%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements & Securities Lending Agreements	92 days	20 % of the base value of the portfolio	None
Medium-Term Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	None
Collateralized Bank Deposits	5 years	None	None
Mortgage Pass-Through Securities	5 years	20%	None
Time Deposits	5 years	None	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	\$ 50 Million

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in the market interest rates. The District manages its exposure to interest rate risk by investing a majority of its cash and investments in the County Pooled Investment Fund.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity:

Investment Type	Totals	12 Months or Less	13 to 24 Months	25-36 Months	37-48 Months	49-60 Months	More Than 60 Months
Public Agency Retirement Svc	\$ 273,549	\$ 273,549					
County Pooled Investment Fund	\$ 2,401,532	\$ 2,401,532	\$ -	\$ -	\$ -	\$ -	\$ -
	<u>\$ 2,675,081</u>	<u>\$ 2,675,081</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SWEETWATER SPRINGS WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2021 AND 2020

Note 2: Cash and Investments (Continued)

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the California Government Code and the District's investment policy, and the actual rating as of fiscal year end for each investment type.

Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Fiscal Year End			
				AAA	AA	A	Not Rated
Public Agency Retirement Svc	\$ 273,549						\$ 273,549
County Pooled Investment Fund	\$ 2,401,532	N/A	\$ -	\$ -	\$ -	\$ -	\$ 2,401,532
Total	\$ 2,675,081		\$ -	\$ -	\$ -	\$ -	\$ 2,675,081

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments that represent 5% or more of total District investments (other than Sonoma County Investment Pool).

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure the District's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2021, the District's deposits with financial institutions were \$144,432 in excess of federal depository insurance limits.

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as the Sonoma County Investment Pool).

SWEETWATER SPRINGS WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2021 AND 2020

Note 3: Capital Assets

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

	Balance at July 1, 2020	Additions	Deletions	Transfers	Balance at June 30, 2021
Capital assets, not being depreciated:					
Land	\$ 143,053	\$ -	\$ -	\$ -	\$ 143,053
Construction in progress		114,958			114,958
Total capital assets, not being depreciated	143,053	114,958			258,011
Capital Assets, being depreciated:					
Building and improvements	32,277,351	151,829			32,429,180
Machinery and equipment	663,169	53,848	(5,613)		711,404
Total capital assets, being depreciated	32,940,520	205,677	(5,613)		33,140,584
Accumulated depreciation:					
Building and improvements	(12,126,649)	(876,927)			(13,003,576)
Machinery and equipment	(599,190)	(24,563)	5,613		(618,140)
Total accumulated depreciation	(12,725,839)	(901,490)	5,613		(13,621,716)
Total depreciable assets, net	20,214,681	(695,813)			19,518,868
Total capital assets, net	\$ 20,357,734	\$ (580,855)	\$ -	\$ -	\$ 19,776,879

Depreciation expense of \$901,490 was incurred and recorded as an operating expense for June 30, 2021.

Note 4: Long-Term Debt

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

	Balance at June 30, 2020	Additions	Repayments	Balance at June 30, 2021	Due Within One Year
2003 General Obligation Bonds	3,051,026		(53,278)	2,997,748	54,950
2013 General Obligation Refunding Bonds	5,623,893		(368,000)	5,255,893	296,500
California Safe Drinking Bonds	282,727		(282,727)		
Citizens Business Bank Certificates of Participation	1,603,760		(168,215)	1,435,545	172,321
Total	\$ 10,561,406	\$ -	\$ (872,220)	\$ 9,689,186	\$ 523,771

SWEETWATER SPRINGS WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2021 AND 2020

Note 4: Long-Term Debt (Continued)

2003 General Obligation Bonds

On April 29, 2003, and pursuant to Resolution No. 03-15, the District authorized the issuance of General Obligation Bond of 1990, Series 2003 in the principal amount of \$4,000,000. The bond was issued as a single fully registered bond and matures in installments of the same principal amounts on the same dates as the registered bonds it represents. Interest on the bond is 4.5% per annum, payable commencing on March 1, 2004 and semi-annually thereafter on September 1st and March 1st in each year to maturity. During the fiscal year ended June 30, 2014, the District prepaid \$1,994,000 of the outstanding principal on the 2003 General Obligation Bonds from a portion of the proceeds of the 2013 General Obligation Refunding Bonds. The first installment payment that was due September 1, 2014 was deferred until September 1, 2015. The accrued interest of \$36,875, as a result of the deferred payment date, was added to the principal balance for a total outstanding balance of \$1,647,875.

The scheduled annual minimum debt service requirements at June 30, 2021 are as follows:

2022	28,950	\$	35,336	\$	64,286
2023	29,637		34,649		64,286
2024	30,341		33,945		64,286
2025	31,062		33,225		64,287
2026	31,799		32,488		64,287
2027-2031	170,691		150,751		321,442
2032-2036	191,945		129,506		321,451
2037-2044	215,849		105,616		321,465
2042-2046	242,728		78,751		321,479
2047-2051	272,953		48,541		321,494
2052-2054	241,793		14,568		256,361
	<u> </u>		<u> </u>		<u> </u>
Total	<u>\$ 1,487,748</u>	<u>\$</u>	<u>697,376</u>	<u>\$</u>	<u>2,185,124</u>

2018 General Obligation Bonds

On December 1, 2018, and pursuant to Resolution No. 17-6 and 17-7, the District authorized the issuance of General Obligation Bonds in the principal amount of \$1,535,000. The bond was issued as a single fully registered bond and matures in installments of the same principal amounts on the same dates as the registered bonds it represents. Interest on the bond is 2.25% per annum, payable commencing on June 1, 2019 and semi-annually thereafter on December 1st and June 1st in each year to maturity.

SWEETWATER SPRINGS WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2021 AND 2020

The scheduled annual minimum debt service requirements at June 30, 2021 are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2022	26,000	\$ 33,683	\$ 59,683
2023	26,000	33,098	59,098
2024	27,000	32,501	59,501
2025	27,000	31,894	58,894
2026	28,000	31,275	59,275
2027-2031	150,000	146,498	296,498
2032-2036	167,000	128,689	295,689
2037-2041	187,000	108,844	295,844
2042-2046	215,000	167,124	382,124
2047-2051	240,000	60,638	300,638
2052-2056	266,000	32,226	298,226
2027-2058	151,000	4,691	155,691
Total	<u>\$ 1,510,000</u>	<u>\$ 811,161</u>	<u>\$ 2,321,161</u>

2013 General Obligation Refunding Bonds

On August 1, 2013, the District issued \$7,993,000 of General Obligation Refunding Bonds bearing interest of 4.50% and payable semi-annually on September 1 and March 1, maturing on September 1, 2033. The proceeds of the Bonds were used to (i) prepay, in full, the 1992 General Obligation Bonds; (ii) partial prepayment of the 2003 General Obligation Bonds, and (iii) pay the costs of issuing the Bonds. The outstanding principal balance of the 2013 General Obligation Refunding Bonds at June 30, 2015 was \$7,553,000.

\$7,821,765 from the 2013 General Obligation Refunding Bonds was placed in an irrevocable trust that is to be used to service the future debt requirements of the 1992 General Obligation Bonds and the 2003 General Obligation Bonds. The refunding resulted in an economic gain (difference between the present value of the debt service payments on the old and new debts) of \$648,545. The aggregate difference in debt service between the old and new debt is \$923,427.

The District defeased the 1992 General Obligation Bonds by placing a portion of the proceeds of the 2013 General Obligation Refunding Bonds in an irrevocable trust to provide for all future debt service payments on the 1992 General Obligation Bonds. Accordingly, the trust account assets and the liability for the defeased 1992 General Obligation Bonds is not included in the District's financial statements.

SWEETWATER SPRINGS WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2021 AND 2020

Note 4: Long-Term Debt (Continued)

2013 General Obligation Refunding Bonds (Continued)

The scheduled annual minimum debt service requirements at June 30, 2021 are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2022	\$ 296,500	\$ 141,992	\$ 438,492
2023	306,300	133,614	439,914
2024	316,200	124,961	441,161
2025	323,500	116,069	439,569
2026	330,800	106,974	437,774
2027-2032	2,167,160	369,592	2,536,752
2032-2033	1,515,432	64,002	1,579,434
Total	<u>\$ 5,255,892</u>	<u>\$ 1,057,204</u>	<u>\$ 6,313,096</u>

California Safe Drinking Bonds Payable

On June 24, 1993 the State Department of Water Resources provided a \$2,870,000 loan to the District under the Safe Drinking Water Bond Act of 1986. The project financed by this loan consists of construction of three wells, interconnection of the system's service area, and construction of five storage facilities and appurtenances.

The bonds bear interest at 2.955% and mature on April 2022. Principal payments are due semi-annually on October 1 and April 1 including interest. A 5% administrative fee was included in the principal amount. This loan was paid off during the year.

Note 4: Long-Term Debt (Continued)

Citizens Business Bank Certificates of Participation Payable

On August 1, 2008, Citizens Business Bank as assigned from Municipal Finance Corporation provided a \$3,000,000 loan to the District in the form of Certificates of Participation.

The Certificates of Participation bear interest at 4.75% through August 1, 2018 and then due to a rate renegotiation with Citizen Business Bank in November 2016 was reduced to 3.1% and will remain until the loan matures on August 1, 2028. Principal and interest payments are due semi-annually on February 1st and August 1st in the amount of \$117,007 through August 1, 2018 and \$108,038 for the remainder of the loan.

SWEETWATER SPRINGS WATER DISTRICT
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The scheduled annual minimum debt service requirements at June 30, 2021 are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2022	\$ 172,887	\$ 43,190	\$ 216,077
2023	178,288	37,789	216,077
2024	183,857	32,219	216,076
2025	189,601	26,475	216,076
2026	195,524	20,552	216,076
2027-2029	515,388	24,224	539,612
Total	<u>\$ 1,435,545</u>	<u>\$ 184,449</u>	<u>\$ 1,619,994</u>

Note 5: Operating Leases

The District has entered into an operating lease arrangement as lessee for the District offices. The term of the lease was for five years with an option to extend for seven, one year periods. The initial five year lease expired on July 31, 2014. On May 6, 2014, the District renegotiated the office lease. The new lease commences August 1, 2014 and expires on July 31, 2017, at a cost of \$2,364 per month. The new lease had an option to extend for one additional term of three years which was extended on July 31, 2017 through July 31, 2020 at \$ 2,483 per month. On April 16, 2020 the District exercised its option to extend the lease for an additional three years at \$2,606 per month. This extension has an option to extend the lease for an additional three years at \$2,730 per month.

The District has also entered into an operating lease arrangement as lessee for a postage machine. The term of the lease is five years, beginning in October 2020. The District's current quarterly lease expense for the postage machine is \$401.

The total rental payments for all leasing arrangements charged to expenses were \$32,488 and \$31,002 for June 30, 2021 and 2020 respectively.

Note 6: Employees Retirement Plan (Defined Benefit Pension Plan)

General Information about the Pension Plan

Plan Description, Benefits Provided and Employees Covered

The plan is a cost-sharing multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). A full description of the pension plan benefit provisions, assumptions for funding purposes but not accounting purposes, and membership information is listed in the June 30, 2020 Annual Actuarial Valuation Report. Details of the benefits

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provided can be obtained in Appendix B of the June 30, 2020 actuarial valuation report. This report is a publically available valuation report that can be obtained at CalPERS' website under Forms and Publications.

Contribution Description

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS' annual actuarial valuation process. For public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2018 (the measurement date), the active employee contribution rate is 6.908 percent of annual pay and the average employer's contribution rate is 10.484 percent of annual payroll for the 2% @ 55 plan and the active employee contribution rate is 6.750 percent of annual pay and the average employer's contribution rate is 7.732 percent of annual payroll for the 2% @ 62 plan. Employer contributions rates may change if plan contracts are amended.

Annual Pension Cost

For June 30, 2021, the District's annual pension cost of \$68,732 for PERS was equal to the District's required and actual contributions and plus an additional \$534,552 towards its unfunded liability. The required portion of the contribution was determined as part of the June 30, 2019 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.00% investment rate return of (net of administrative expenses), (b) projected annual salary increases that vary by duration of service, and (c) 2.75% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 2.50%. The actuarial value of PERS assets was determined by an amortization that will pay for all gains and losses over a fixed 20-year period. The required and actual contribution rate for June 30, 2021 was determined as part of the June 30, 2018 actuarial valuation in which PERS using the same assumptions as the previous year

Three-Year Trend Information For PERS

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/19	67,856	100%	0
6/30/20	70,738	100%	0
6/30/21	68,732	100%	0

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The table below shows a three-year analysis of the actuarial accrued liability of the 2% @55 plan, the plan's share of the pool's market value of assets, plan's share of the pool's unfunded liability, funded ratio and the annual covered payroll as of June 30:

<u>Valuation Date</u>	<u>Accrued Liability</u>	<u>Shared Mkt Value/Assets</u>	<u>Unfunded Liability</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>
6/30/18	4,758,575	3,764,195	993,380	79.1%	741,245
6/30/19	5,190,479	4,204,166	986,313	81.0%	595,195
6/30/20	5,505,873	4,891,246	614,627	88.8%	443,092

The table below shows a two-year analysis of the actuarial accrued liability of the 2% @62 plan, the plan's share of the pool's market value of assets, plan's share of the pool's unfunded liability, funded ratio and the annual covered payroll as of June 30:

<u>Valuation Date</u>	<u>Accrued Liability</u>	<u>Shared Mkt Value/Assets</u>	<u>Unfunded Liability</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>
6/30/18	26,354	24,180	2,174	91.7%	51,622
6/30/19	46,738	44,732	2,006	95.7%	245,097
6/30/20	107,053	102,198	4,855	95.5%	346,587

Note 7: Net Position

GASB Statement No. 63 require that the difference between assets added to the deferred outflows of resources and liabilities added to the deferred inflows of resources be reported as net position. Net position is classified as either net investment in capital assets, restricted, or unrestricted.

Net position that is net investment in capital assets consist of capital assets, net of accumulated depreciation, and reduced by the outstanding principal of related debt. Restricted net position is the portion of net position that has external constraints placed on it by creditors, grantors, contributors, laws, or regulations of other governments, or through constitutional provisions or enabling legislation. Unrestricted net position consists of net position that does not meet the definition on net investment in capital assets or restricted net position.

The District maintains the majority of its cash with the Sonoma County Treasury in a general operating account, debt service accounts, and construction accounts.

Cash restricted to long-term debt repayment is held in the debt service accounts, and cash restricted to water system improvements is held in the construction accounts. The restrictions arise from provisions of the General Obligation Bond Issues and California Safe Drinking Water Loan Contract #58340.

Note 8: Deferred Compensation Plans

The District offers its employees two deferred compensation plans created in accordance with Internal Revenue Code Section 457. The plans are available to all employees. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plans, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) held in trust by a third party administrator (ING and AIG Valic) for the exclusive benefit of the

SWEETWATER SPRINGS WATER DISTRICT
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plan participants and their beneficiaries as prescribed by Internal Revenue Code Section 457 (g). Accordingly, these assets have been excluded from the accompanying financial statements.

Note 9: Risk Management

The District participates in a joint venture under a joint powers agreement (JPA) with the Special District Risk Management Authority (SDRMA) for insurance purposes. The SDRMA is a joint powers agency formed pursuant to Section 6500 et seq., California Government Code, is comprised of California special districts, and agencies. The relationship between the District and JPA is such that the JPA is not a component of the District for financial reporting purposes. The SDRMA's purpose is to jointly fund and develop programs to provide stable, efficient, and long term risk financing for special districts. These programs are provided through collective self-insurance; the purchase of insurance coverage's; or a combination thereof. SDRMA provides general and auto liability, workers' compensation, public officials' and employees' errors and omissions, employment practices liability, property loss, and boiler and machinery coverage.

Note 10: Contingencies

In July 2020, the District entered into a contract with Coastland Civil Engineering for Design/Engineering Services related to CIP 2021 in the sum of \$144,958. In May, 2021 the contract was amended (increased to \$150,000). As of June 2021, \$114,958 was paid to Coastland.

In December, 2020 the District entered into a contract with Piazza Construction for emergency preventative fire hazard work to remove debris on Mt. Jackson in the sum of \$178,833. As of June 2021, this project was on hold pending final approval of FEMA funding to offset the costs of this project.

In March, 2021, the District entered into a contract with Piazza Construction for emergency mainline work on Main St., Monte Rio in the sum of \$129,222. As of June 2021, this project was completed. A total of \$129,222 was paid to Piazza.

Note 11: Post-Retirement Health Insurance

The District provides certain health insurance benefits to retired employees in accordance with memoranda of understanding as follows:

For employees who retire from the District and from CalPERS after at least five (5) years of service with CalPERS and who have reached the age of fifty-two (52) years old (fifty (50) years old for Classis PERS members), and who continue health insurance through a District-sponsored health insurance plan, the District will contribute the minimum monthly amount (as required by CalPERS) of the health insurance premium (\$143 in 2021 and \$139 in 2020).

Funding Policy

The District adopted a resolution to enter into an agreement with CalPERS to participate in the California Employer's Retiree Benefit Trust Program (CERBT). For fiscal year 2020-21 the District contributed \$11,043, which covered current premiums and \$3,000 of additional prefunding of benefits. Currently, there are 5 retirees who are receiving benefits.

Annual OPEB and Net OPEB Obligation

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the

SWEETWATER SPRINGS WATER DISTRICT
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parameters of GASB Statement No. 45's Alternative Measurement Method allowed for employers with less than 100 plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the fiscal year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

Annual required contribution	\$	5,475
Interest on net OPEB obligation		(300)
Adjustment to ARC		330
Annual OPEB cost (expense)		5,505
Contributions made		(11,043)
Increase in net OPEB obligation		(5,538)
Net OPEB obligation – Beginning of the year		(6,275)
Net OPEB obligation – End of year	\$	(11,813)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2018-19, 2019-20 and 2020-21 were as follows:

Fiscal Year	Annual OPEB Cost	Percent of Annual OPEB Cost	OPEB Obligation (Asset)
6/30/2019	\$ 6,038	130%	\$ (4,038)
6/30/2020	\$ 6,839	128%	\$ (6,983)
6/30/2021	\$ 5,503	100%	\$ (11,813)

Funded Status and Funding Progress

As of June 30, 2021, the most recent Alternate Measurement Method valuation date, the plan was 21.4% funded. The actuarial accrued liability for benefits was \$298,913, and the actuarial value of assets was \$63,884, resulting in an unfunded actuarial accrued liability (UAAL) of \$235,029. The covered payroll (annual payroll of active employees covered by the plan) was \$444,309, and the ration of the UAAL to the covered payroll was 52.9 percent.

The Alternate Measurement Method valuation of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, present multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projects of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The Alternate Measurement Method valuation methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

SWEETWATER SPRINGS WATER DISTRICT
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In fiscal year 2018-19, the District revised its actuarial assumptions used to calculate the ARC as follows: (1) The minimum Employer Contribution rate of increase was decreased from 3.2 percent to 2.75 percent based on five years' actual MEC increases. (2) The discount rate used was increased from .3 percent to 3.50 percent based on methodology presented in GASB 75. In addition actuarial assumptions presume 75 percent of employees will choose to participate in CalPERS health upon retirement. The actuarial value of assets is not applicable (No assets as of the initial valuation date). The UAAL is being amortized as a flat percentage of covered payrolls over thirty years. The remaining amortization period at June 30, 2021 was twenty-four (23) years.

Other Postemployment Benefits

Schedule of Funding Progress				
Valuation Date	Liability (a)	Assets (b)	Net Liability (a)-(b)	Status (b)/(a)
6/30/2014	\$ 392,471	\$ 15,287	\$ 377,184	3.9%
6/30/2015	\$ 422,461	\$ 21,482	\$ 400,979	5.1%
6/30/2016	\$ 418,666	\$ 25,428	\$ 393,238	6.1%
6/30/2017	\$ 479,571	\$ 31,495	\$ 448,076	6.6%
6/30/2018	\$ 370,760	\$ 37,076	\$ 333,684	10.0%
6/30/2019	\$ 360,271	\$ 42,621	\$ 317,650	11.8%
6/30/2020	\$ 319,468	\$ 47,203	\$ 272,265	14.7%
6/30/2021	\$ 298,913	\$ 63,884	\$ 235,029	21.4%

Note 12 **Subsequent Event**

Subsequent events are those events or transactions that occur subsequent to the effective date of the financial statements, but prior to the issuance of the final reports, which may have a material effect on the financial statement or disclosures therein.

There are no subsequent events that have occurred through November 4, 2021 that meet the above definition.

MICHAEL A. CELENTANO
Certified Public Accountant
12204 E Camino Loma Vista
Yuma AZ 85367

707-367-9729

maccpa@pacific.net

To the Management and
The Board of Directors of
Sweetwater Springs Water District

I have audited the financial statements of the business-type activities of Sweetwater Springs Water District for the year ended June 30, 2021. Professional standards require that I provide you with information about my responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of my audit. I have communicated such information in my letter to you dated October 19, 2021. Professional standards also require that I communicate to you the following information related to my audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Sweetwater Springs Water District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. I noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the District's financial statements was:

Management's estimate of the other postemployment benefits payable and pension liabilities are based on industry guidelines and actuarial tables. I evaluated the key factors and assumptions used to develop these other postemployment benefits payable and pension liabilities in determining that it is reasonable in relationship to the financial statements taken as a whole

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

I encountered no significant difficulties in dealing with management in performing and completing my audit.

Corrected and Uncorrected Misstatements

Professional standards require me to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to my satisfaction, that could be significant to the financial statements or the auditor's report. I am pleased to report that no such disagreements arose during the course of my audit.

Management Representations

I have requested certain representations from management that are included in the management representation letter dated October 19, 2021.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

With respect to the supplementary information accompanying the financial statements, I made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to my audit of the financial statements. I compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of management and the Board of Directors of Sweetwater Springs Water District and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink, appearing to read 'M. Celentano', with a long horizontal flourish extending to the right.

Michael A Celentano
Certified Public Accountant

October 19, 2021

MICHAEL A. CELENTANO

Certified Public Accountant

12204 E Camino Loma Vista

Yuma AZ 85367

707-367-9729

maccpa@pacific.net

To the Management and
The Board of Directors of
Sweetwater Springs Water District

In planning and performing my audit of the financial statements of the business-type activities of Sweetwater Springs Water District as of and for the year ended June 30, 2021, in accordance with auditing standards generally accepted in the United States of America, I considered Sweetwater Springs Water District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Sweetwater Springs Water District's internal control. Accordingly, I do not express an opinion on the effectiveness of the Sweetwater Springs Water District's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, I identified certain deficiencies in internal control that I consider to be significant deficiencies.

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. I did not identify any deficiencies in internal control that I consider to be material weaknesses.

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. I consider the following deficiency in Sweetwater Springs Water District's internal to be significant deficiency:

District Structure

The size of the District's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. This situation dictates that the Board of Directors remains involved in the financial affairs of the District to provide oversight and independent review functions.

This communication is intended solely for the information and use of management, Board of Directors, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Michael A Celentano
Certified Public Accountant
October 19, 2021

SWEETWATER SPRINGS WATER DISTRICT

TO: Board of Directors

AGENDA NO. VI

FROM: Ed Fortner, General Manager

Meeting Date: December 2, 2021

Subject: GENERAL MANAGER'S REPORT

RECOMMENDED ACTION: Receive report from the General Manager.

FISCAL IMPACT: None

DISCUSSION:

- 1. Laboratory Testing/ Regulatory Compliance:** Water quality tests confirm that all SSWD water meets all known State and Federal water quality standards.
- 2. Water Production and Sales:** Water sales in October were 17,984 units (41.3 AF Monte Rio cycle), and production was 60.8 AF. One year ago, sales were higher, and production was higher (53.2 AF and 65.6 AF, respectively). Figure 1 shows sales, production, and % difference for the combined systems; the water loss trend was up this month as a running twelve-month average (22.2%). Water conservation has increased over the last two months during the declared drought. In August, production was down 11.9%, and sales were down 16.3% from August 2020. In September, production was down 11.5%, and sales were down 17.8%. In October, production was down 7.3%, and sales were down 22.4%.
Looking at the data over the last ten years, water production has dropped approximately 29%, and sales have dropped 18%, although water sales and production are up during the COVID period. The water loss percentage was around 30% and now is in the 15-20% range. Much of the production and water loss drop can be attributed to capital projects.
- 3. Leaks:** In October, we had ten total leak repairs with 149 hours on them. Nine leaks were in Guerneville, and one was in Monte Rio. All leaks were in older lines. That is more leaks and person-hours than the prior month and fewer leaks and more person-hours than October one year ago (12 and 109). Figure 2 shows service and main leaks separately with a total leak line as well. For Calendar Year 2020, total leaks were 99, up from 78 in 2019.

That was a drought year following a very wet year, and many of the repairs were due to ground shifting. Also, 52 leaks were on mains, and 48 were on service lines. In 2019, 47 leaks were on mains, and 31 were on service lines. Leaks may go up during this second consecutive drought year. Looking at the leaks chart over the last ten years, we have come down from around 300 leaks per year to under 100 - quite a difference and very noticeable in what the field crews are able to do - address ongoing issues with in-house projects instead of chasing leaks every day.

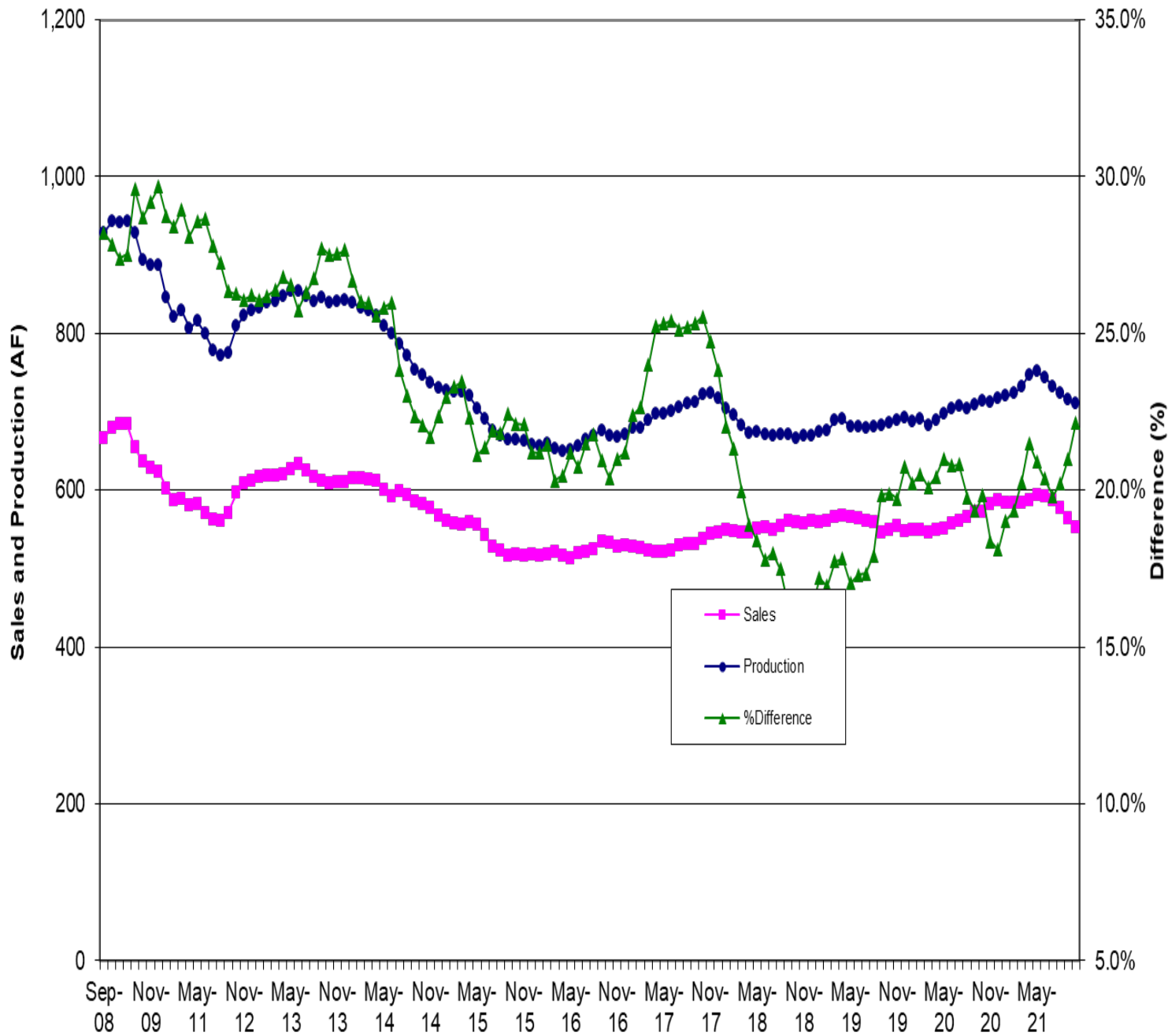
- 4. Guerneville Rainfall:** October rainfall was 2.3", higher than the long-term average month, and puts the yearly total (15.9") above the long-term annual average. We had needed rain, and we hope for more to recover from the two-year drought. The rain year 2021 was the lowest recorded precipitation for the District, below the 17.7" from 1977. Governor Newsom declared a drought emergency for Sonoma and Mendocino Counties, and Sonoma County has issued a drought emergency also. SSWD was not given a curtailment order in August. After the atmospheric river we experienced in October, the curtailment orders were removed for the entire Russian River.
- 5. In-House Construction Projects:** There were three in-house construction projects in November. Staff spent 25.5 hours replacing a meter and relocating a service at 15118 Canyon Two Rd in Rio Nido. Three hours were spent relocating a meter to a retaining wall at 17771 Old Monte Rio Rd. Staff spent 130 hours installing three gate valves, two line valves, and a flush valve on Monte Rio Ave.
- 6. Lower Russian River Community Advisory Group Governance Meeting (SRRCAG):** There was a virtual meeting of the LRRCAG on November 18 to discuss Wastewater solutions for Monte Rio and Villa Grande. The consultant for the feasibility study has been selected. Sonoma Water is negotiating the scope and cost of the work. Public outreach and participation of the consultant with the LRRCAG have been included in the scope.
- 7. Personnel:** Russ Crowl started on November 15 as Maintenance Operator Trainee. We are now fully staffed. We continue to advertise for another person in the Field group.
- 8. Monte Rio Bridge:** In the November Board meeting, we agreed to submit formal information requests to the County. I have requested the County search their records for any agreements or encroachment permits for our water main attachment dating back to 1934 when the existing bridge was constructed. Unfortunately, I have not received any replies to multiple follow-up emails. Rachel Hundley has drafted formal information requests for these records. I recommend we ask Rachel to submit the information requests formally.
- 9. Budget Impact of Additional Operator:** At the November 4 Board Meeting, the Board approved the hire of a Maintenance Operator Trainee. This hire would add a position to the existing staff above what has historically been the total number of Field employees. As

discussed, this position would be in anticipation of the retirement of one of the Field staff and will allow this person to be trained in advance of the vacancy.

The Board directed the GM to determine the budgetary impact of this hire and report at the December 2 Board Meeting. After reviewing the FY 2021-2022 budget, the determination is that the expense of the position for half the fiscal year will be ~\$18,000 in wages. As reported in the quarterly actual vs. budgeted expenses, there was an underbudgeted amount of \$19,242 in wages in the first quarter of FY 2021-2022 due to turnover in personnel and temporary short staffing. The District will continue to see a smaller underbudgeted amount for the second quarter due to senior staff leaving and being replaced by less experienced staff. Overall, the expense side of the budget will not be negatively impacted by this hire.

- 10. Drought Grant:** On November 5, I signed a Grant Commitment Letter with the Drinking Water Resources for \$735,000 to design the Monte Rio Bridge Water Main Attachment Project, the Monte Rio Well Rehab and Electric Upgrade Project and the Lower Harrison Tank Replacement Project. The Grant Agreement is pending, but we are authorized to expend funds now. I have published the Request For Proposals for the Well Project and informed Coastland of the design funding. We would like to expedite the approval of the low bid due to the urgent need of the repair. We also have the task order from Coastland on the Bridge Project. We will wait until the Grant agreement is completed to begin work on the Lower Harrison Tank Project.
- 11. CDBG Funding:** We continue to wait on the Grant Agreement that HUD has delayed. The Board of Supervisors met on July 27 and approved the Community Development Commission (CDC) annual plan that includes \$705,000.00 for our FY 2020-2021 CIP for Old River Rd and Woodland Drive water main replacement. We hoped to sign the grant agreement in early September. We have no update on when HUD will formally approve the funds. Once HUD approves, CDC will enter into the Grant Agreement with the District. The CDC reviewed and approved the contract language draft. We intend on getting the entire project out to bid as early as possible. Phase I of the project, design, and planning are completed other than bidding. We have drawn the entire \$115,920.00 of CDBG funding down and submitted all required reports. I reached out to Valerie Johnson and Marc Chandler with the CDC and got no update on the grant agreement. I also called Dave Kiff, the new Director of CDC and left voicemail.
- 12. Gantt Chart:** The Gantt Chart is updated for December 2021.
- 13. Economic Impact of no Disconnects for Non-payment:** The total uncollected amount in this Monte Rio billing cycle due to non-payment with the non-Disconnect Executive Order is **7,532.19**. This amount is tracking up from the last billing period. We will continue to follow this amount. I have applied for reimbursement for the uncollected revenue through a CalOES grant.

**Figure 1. Water Production and Sales 12 Month Moving Averages
 Sweetwater Springs Water District Since September 2008**



**Figure 2. Sweetwater Springs Water District Main and Service Pipeline Breaks
Moving Annual Average Since September 2008**

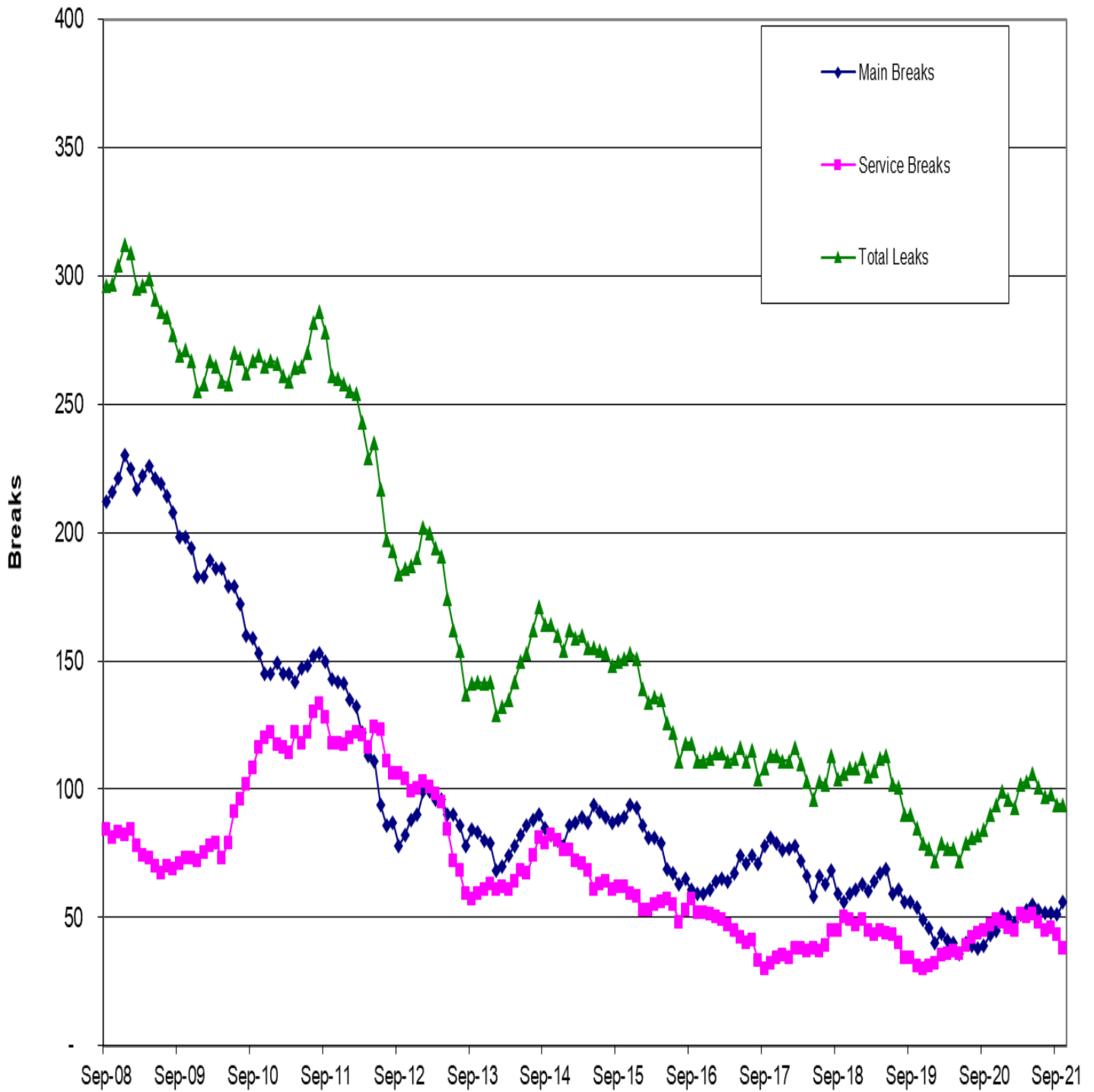
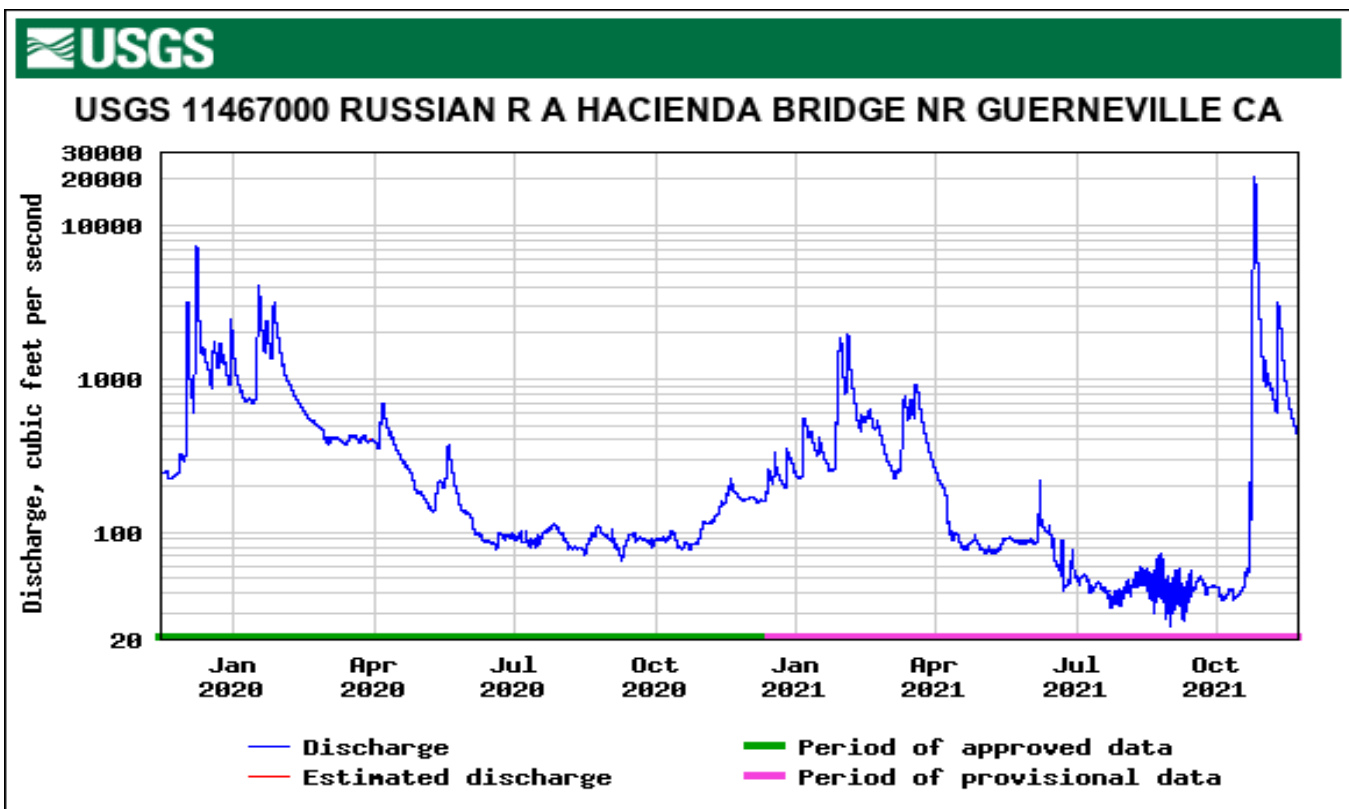
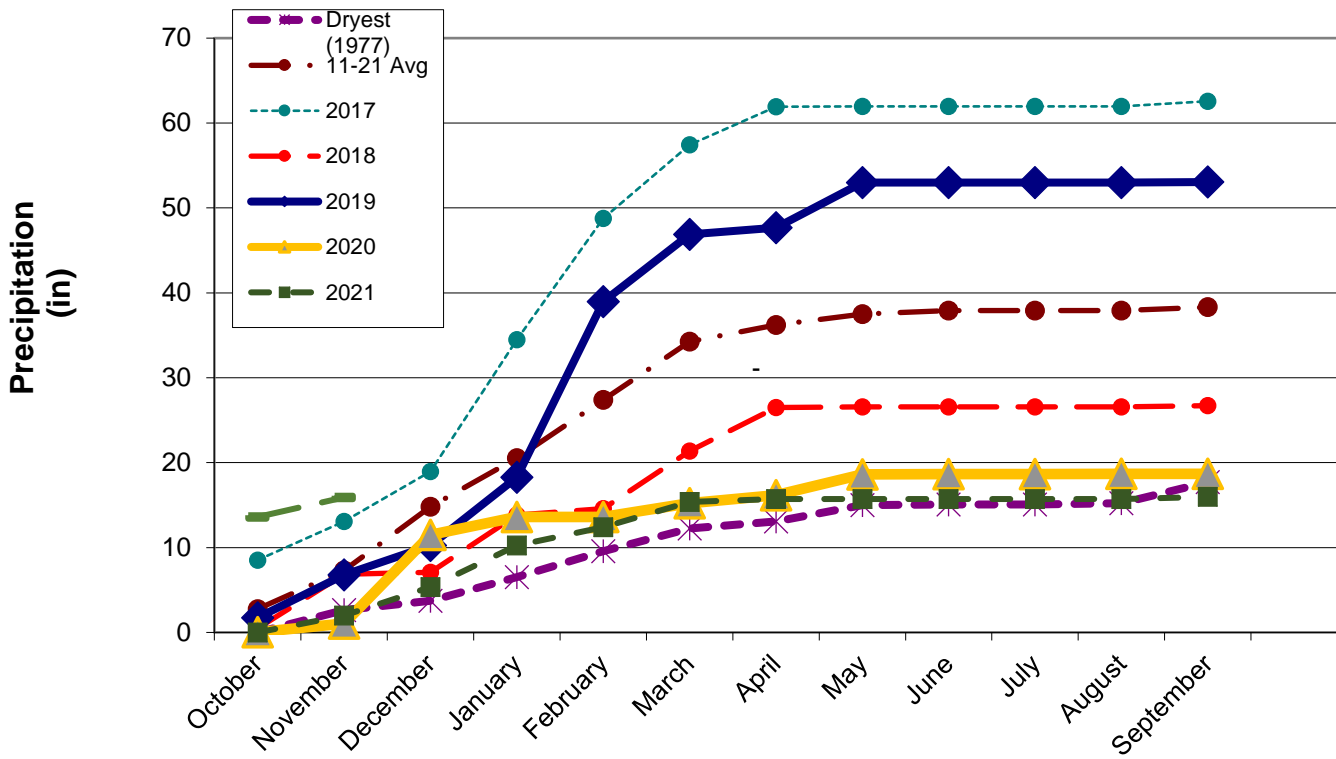


Figure 3. Guerneville Cumulative Monthly Rainfall



Tracking the Economic Impact of Suspending Water Disconnects for Non-payment					
EVEN CYCLE (Guerneville)			ODD CYCLE (Monte Rio)		
Billing Date	# of Customers whose prior bill was still unpaid when next bill mailed	\$ Value of Past Due Amounts** (including unpaid customer deposits)	Billing Date	# of Customers whose prior bill was still unpaid when next bill mailed	\$ Value of Past Due Amounts** (including unpaid customer deposits)
2/15/2020 (Historical disconnect procedure)	0	\$0	3/15/2020 (SB 998 extends time before disconnect)	10	\$1,565
4/15/2020 (Exec. Order N-42-20: Disconnects completely suspended)	24	\$4,096	5/15/2020	5	\$594.02
6/15/2020	9	\$2,947.56	7/15/2020	8	\$1,261.02
8/15/2020	7	\$2,464.32	9/15/2020 (Suspended delinquency process due to wildfire.)	57	\$7,646.52
10/15/2020	16	\$5,094.43	11/15/2020	18	\$4,406.13
12/15/2020	23	\$7,260.48	1/15/2021	20	\$3,766.59
2/15/2021	35	\$11,140.50* (\$3,555 of this total is one customer)	3/15/2021	18	\$6,203.05
4/15/2021	28	\$11,762.54	5/15/2021	16	4040.58
6/15/2021	19	\$8,670.96	7/15/2021	7	\$3,542.24
8/15/2021	14	\$6,835.88	9/15/2021	9	3,513.03
10/15/2021	24	10,889.52	11/15/2021	20	7,532.19

As of 11/15, 10 customers are in COVID-19 Agreements. These customers are not included in the numbers above if their COVID Agreements are in good standing.

