



# **BOARD OF DIRECTORS MEETING**

## **AGENDA**

**December 1, 2022 Regular Meeting  
6:30 p.m.**

Meeting link:

<https://sweetwaterspringswaterdistrict.my.webex.com/sweetwaterspringswaterdistrict.my/j.php?MTID=m19c6f4e5d2deecbf520e6758bbdd61e5>

Meeting number: 2550 242 7570

Password: W9GdYjEnM27

OR

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

Access code: 2550 242 7570

Password: 99439536

***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 following Minutes of the November 3, 2022 Regular Board 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 FY 2021-22 Draft Audit. *(Est. time 15 min.)*
- B. Discussion/Action re Election of 2022 Officers *(Est. time 10 min.)*
- C. Discussion/Action re Contract Meter Reader *(Est. time 10 min.)*
- D. Discussion/Action re Monte Rio Community Center as an in-person meeting site *(Est. time 15 min.)*
- E. Discussion/Action re Board Subcommittee Reports (standing item) *(Est. time 5 min.)*  
Subcommittees: General Manager Transition  
Website/Billing System

**VI. GENERAL MANAGER'S REPORT**

- 1. Laboratory Testing/Regulatory Compliance
- 2. Water Production and Sales
- 3. Leaks
- 4. In-House Construction Projects
- 5. CIP 2020-21 Old River Road/Woodland Drive
- 6. Grants
- 7. Office site upgrades
- 8. Planning Commission Meeting Update

**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: General Manager

**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**

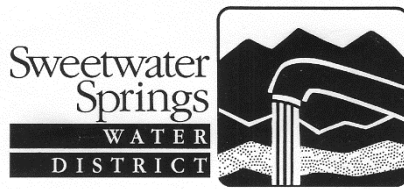
**GOAL 3: HAVE UPDATED EMERGENCY PREPAREDNESS PLANS FOR ALL REASONABLE, FORESEEABLE SITUATIONS**

**GOAL 4: DEVELOP AND MAINTAIN A QUALITY WORKFORCE**

**GOAL 5: PROVIDE EXCELLENT PUBLIC OUTREACH, INFORMATION AND EDUCATION**

**GOAL 6: ENHANCE BOARD COMMUNICATIONS AND INFORMATION**

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## **BOARD MEETING MINUTES\***

**Meeting Date: November 3, 2022**

**(\*In order discussed)**

November 3, 2022  
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:**

Eric Schanz, General Manager  
Julie Kenny, Secretary to the Board

**Others in Attendance:**

Jordyn Bishop, Legal Counsel

### **I. CALL TO ORDER (6:32 p.m.)**

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

### **II. CHANGES TO AGENDA and DECLARATION OF CONFLICT (6:32 p.m.)**

(None.)

*\*\* Prior to Item III, the Board introduced themselves to new Legal Counsel Jordyn Bishop.*

### **III. CONSENT CALENDAR (6:38 p.m.)**

President Schaap reviewed the items on the Consent Calendar. Director Robb-Wilder moved to approve the Consent Calendar. Director Lipinski seconded. Discussion ensued. Motion carried 5-0 on the following items:

- A. Approval of the following Minutes of the October 6, 2022 Regular Board Meeting
- B. Approval of Operations Warrants/Online payments/EFT
- C. Receipt of items of Correspondence. (No correspondence this month.)
- D. Action to Reconfirm findings of Resolution 21-18 re continuation of remote meetings

#### **IV. PUBLIC COMMENT (6:39 p.m.)**

None.

#### **V. ADMINISTRATIVE (6:40 p.m.) \***

*\*in the order discussed*

- V-A. (6:40 p.m.) Discussion/Action re Actual vs. Budgeted Report – FY 2022-23 1Q.** The GM provided an overview of this item. Administrative Manager Julie Kenny provided further overview. Discussion ensued. No action was taken.
- V-B. (6:50 p.m.) Discussion/Action re Muni-Link Billing System update.** The GM provided an overview of this item. Administrative Manager Julie Kenny provided further overview. Discussion ensued. No action was taken.
- V-C. (7 p.m.) Discussion/Action re Contract Meter Reader.** The GM provided an overview of this item. Discussion ensued. Comments were made by Legal Counsel Jordyn Bishop. No action was taken.
- V-D. (7:15 p.m.) Discussion/Action re Monte Rio Community Center as an in-person meeting site.** Director Robb-Wilder provided an overview of this item. Discussion ensued. Comments were made by Legal Counsel Jordyn Bishop. Direction was given to staff and Director Robb-Wilder to investigate teleconferencing capabilities at the Monte Rio Community Center.
- V-E. (7:36 p.m.) Discussion/Action re Identifying the charge and approximate duration for active Board Subcommittees.** Director Robb-Wilder provided an overview of this item. Discussion ensued. No action was taken. Comments were made by Legal Counsel Jordyn Bishop. Discussion ensued. Director Schaap stated charge of Transition committee as assisting GM for six (6) months from date of hire as an initial timeframe. Further discussion ensued. No action was taken.
- V-F. (7:45 p.m.) Discussion/Action re Board Subcommittee Reports (standing item).  
Subcommittees:           General Manager Transition  
                                  Website/Billing System**

Director Holmer provided an update on activity of the General Manager Transition committee. Director Schaap provided further overview. Comments were made by the GM. Directors Robb-Wilder and Spillane spoke briefly on the activities of the Website/Billing System. No action was taken.

#### **VI. GENERAL MANAGER'S REPORT (7:51 p.m.)**

The GM provided a report on the following items after announcing a robust office generator was set to be installed on November 15.

1. Laboratory testing / Regulatory Compliance
2. Water production and sales
3. Leaks
4. In-House Construction Projects
5. CIP 2020-21 Old River Road/Woodland Drive
6. Grants
7. Curtailments Update
8. PFAS Sampling Requirement
9. Gantt Chart

Brief discussion ensued. No further action was taken.

**VII. BOARD MEMBERS' ANNOUNCEMENTS/COMMENTS  
(8:11 p.m.)**

Director Holmer announced updates from the Citizens Advisory Group (CAG) meeting. Brief discussion ensued.

**VIII. ITEMS FOR THE NEXT AGENDA (8:05 p.m.)**

- 1. MR Community center
- 2. Meter Reader contract
- 3. CIP 2021 update
- 4. Union issues
- 5. Board officer elections
- 6. Draft audit

**IX. CLOSED SESSION (8:21 p.m.)**

At 8:21 p.m. President Schaap announced the items in Closed Session. There was no public comment.

At 8:22 p.m. the Board took a brief recess

At 8:31 p.m. the meeting reconvened and the Board went into Closed Session. At 9:08 p.m. the meeting reconvened from Closed Session and the following action was announced:

- A. Pursuant to Gov. Code Section 94957(b)(1) – Public Employee Performance Evaluation**  
**Title: General Manager**  
 No action was taken.

**ADJOURN**

The meeting adjourned at 9:09 p.m.

Respectfully submitted,

Julie Kenny  
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. V-A**

**FROM:** Eric Schanz, General Manager

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**Meeting Date:** December 1, 2022

**Subject:** Discussion/Action re Draft FY 2021-22 Audit Report

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**RECOMMENDED ACTION:**

Receive a report from Auditor Michael Celentano on the FY 2021-22 Audit.

**FISCAL IMPACT:**

The FY 2021-22 Audit cost \$8,500.

**DISCUSSION:**

Attached is the Draft Audit report, together with Mr. Celentano's letters regarding Governance and Internal Controls. Our FY 2021-22 Audit was conducted by Michael Celentano, CPA.. Mr. Celentano will be present to provide an overview of the Draft Audit and answer questions. As a reminder, the Audit presents the District's financials using a partial accrual method of accounting, which differs from the cash presentation staff prepares for the Board on a quarterly basis.



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

707-367-9729

[maccpa@pacific.net](mailto: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, 2022. 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 November 6, 2022. 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 November 6, 2022.

*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', written in a cursive style.

Michael A Celentano  
Certified Public Accountant

November 6, 2022

**MICHAEL A. CELENTANO**

Certified Public Accountant

12204 E Camino Loma Vista

Yuma AZ 85367

707-367-9729

[maccpa@pacific.net](mailto: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, 2022, 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  
November 6, 2022

**SWEETWATER SPRINGS WATER DISTRICT**

**BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2022 AND 2021**

DRAFT

**SWEETWATER SPRINGS WATER DISTRICT  
FINANCIAL STATEMENTS**

**JUNE 30, 2021 AND 2020**

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DRAFT

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

707-367-9729

[maccpa@pacific.net](mailto:maccpa@pacific.net)

Board of Directors  
Sweetwater Springs Water District  
Guerneville, California

### Independent Auditor's Report

#### Opinions

I have audited the accompanying financial statements of the business-type activities Sweetwater Springs Water District as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Sweetwater Springs Water District's basic financial statements as listed in the table of contents. In my opinion, except for the effects of the matter described in the "Basis for Qualified Opinion" paragraph, 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, 2022 and 2021 and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### 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 \$178,970 and decreasing fund balance by \$178,970. The effect on Deferred Inflows/Outflows and payroll and employee benefit expenses has not been determined. See Footnote 11 for more detail.

#### Basis for Opinions

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the Sweetwater Springs Water District, and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

## **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Sweetwater Springs Water District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Sweetwater Springs Water District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Sweetwater Springs Water District's ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit

## 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

November 6, 2022

DRAFT



# 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, 2022. 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 2021-22. The condensed financial statements that follow provide a financial summary of the Audit Report organized in a different way than the Audit report financials. Following the financial statements are additional details on capital spending, District debt and future plans of the District.

## I. SELECTED FINANCIAL ACTIVITIES IN 2021-22

### Selected revenues, expenses, and balances:

	<u>FY 2021-22</u>	<u>FY 2020-21</u>
Water Sales:	\$2,789,045	\$2,756,680
Net Income (Change in Net Position):	\$1,820,816	\$652,668
Net Income excluding non-cash rev/exp:	\$2,051,950	\$1,657,539
Surplus operating income transferred to CIRF:	\$430,000	\$270,000
Operating Expenses (before depreciation):	\$2,173,238	\$1,971,244
Capital Improvement expenditures:	\$715,426	\$244,180
Debt Payments (principal + interest):	\$777,969	\$1,141,570
District reserves above policy:	\$2,450,358	\$2,351,087
Net Pension Liability/Surplus (PERS UL):	(\$634,822)	\$104,210
Capital Debt:	\$9,165,415	\$9,689,186

### Other Notes for FY 2021-22

**(1) Grants received:** FY 2021-22 income includes \$712,610 in grant funding.

**(2) PERS Unfunded Liability reporting yielded extraordinary unrealized gains leading to a Net Pension surplus at FYE.** In recent years, the District's extra payments on this liability coupled with above-average PERS investment returns for FY 2020-21\* on those funds show the District now has a \$634,822 surplus at CalPERS. (\* PERS investment returns are reported with a one-year lag.)

**(3) General Manager transition.** This year the District transitioned to a new General Manager. Expenses related to the transition impacted operations expenses.

## 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 2021-22 compared to FY 2020-21 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 \$1,820,816 to \$15,084,709 at FYE 2022, up from \$13,263,893 at FYE 2021, largely due to one-time grant proceeds and unrealized income from our FY 2020-21 investment returns on funds held with CalPERS.

### Condensed Statement of Net Position

	<u>FYE 2022</u>	<u>FYE 2021</u>	<u>\$ Change</u>	<u>% Change</u>
Cash	3,800,035	3,025,538	774,496	25.6%
Capital Assets	19,557,957	19,776,879	(218,922)	-1.1%
Other Assets	1,113,650	450,747	662,903	147.1%
<b>Total Assets</b>	<b>24,471,642</b>	<b>23,253,165</b>	<b>1,218,477</b>	<b>5.2%</b>
Bond & Loan principal debt outstanding	9,165,415	9,689,186	(523,771)	-5.4%
Other long-term liabilities	(610,113)	157,795	(767,908)	-486.6%
Other short-term liabilities	831,631	142,291	689,340	484.5%
<b>Total Liabilities</b>	<b>9,386,933</b>	<b>9,989,272</b>	<b>(602,339)</b>	<b>-6.0%</b>
Net investment in capital assets	10,392,542	10,087,693	304,849	3.0%
Restricted	0	0	0	
Unrestricted	4,692,167	3,176,200	1,515,967	47.7%
<b>Total Net Position</b>	<b>15,084,709</b>	<b>13,263,893</b>	<b>1,820,816</b>	<b>13.7%</b>

## 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 2021-22 versus FY 2020-21. The District's Net Position improved by \$1,820,816 in FY 2021-22, compared to \$652,668 in FY 2020-21. Most of this, however, was due to grant funding (\$712,610) and unrealized gains with our funds at PERS (\$737,647) – both one-time sources of income and/or non-cash income that cannot be counted on in future years and – in the case of non-cash income, cannot be used to pay bills.

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

	<u>FYE 2022</u>	<u>FYE 2021</u>	<u>\$ Change</u>	<u>% Change</u>
Water Sales	2,789,045	2,756,680	32,365	1.2%
Property Tax Assessment (flat charge)	820,819	845,486	(24,667)	-2.9%
Non-Operating Revenues	863,956	291,565	572,391	196.3%
<b>Total Revenues</b>	<b>4,473,820</b>	<b>3,893,731</b>	<b>580,089</b>	<b>14.9%</b>
Operating Expenses:				
Salaries & Benefits	1,397,937	1,285,266	112,671	8.8%
Services & Supplies	775,301	685,978	89,323	13.0%
<b>Total Operating Expenses</b>	<b>2,173,238</b>	<b>1,971,244</b>	<b>201,994</b>	<b>10.2%</b>
Non-Operating Expenses:				
Interest	248,632	264,948	(16,316)	-6.2%
Other	0	0	0	0.0%
<b>Total Non-Operating Expenses</b>	<b>248,632</b>	<b>264,948</b>	<b>(16,316)</b>	<b>-6.2%</b>
<b>Total Expenses</b>	<b>2,421,870</b>	<b>2,236,192</b>	<b>185,678</b>	<b>8.3%</b>
<b>Income before Other Items and Depreciation Expense</b>	<b>2,051,950</b>	<b>1,657,539</b>	<b>394,411</b>	<b>23.8%</b>
Other income - unrealized investment gains	(33,408)	51,873	(85,281)	-
Other - PERS UL Changes (Investments/Assumpti	737,647	(155,254)	892,901	0.0%
Depreciation Expense	(935,373)	(901,490)	(33,883)	3.8%
<b>Total Other Income/Expenses</b>	<b>(231,134)</b>	<b>(1,004,871)</b>	<b>1,387,709</b>	<b>-77.0%</b>
<b>Change in Net Position (Net Income)</b>	<b>1,820,816</b>	<b>652,668</b>	<b>1,168,148</b>	<b>179.0%</b>

Total **revenues** were \$4,473,820, about 14.9% more than last year. Water Sales were up 1.2% 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 around \$750,000. This year it came in at \$820,819, bolstered by approximately \$60,000 in flat charges from new services. Non-operating revenues -- \$863,956 -- typically consist 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. This year, however, it includes \$712,610 in grant funding.

On the expense side, total **expenses** increased by \$185,678, or 8.3%, compared to last year. Aside from general price increases across the board, expenses related to the General Manager recruitment and transition drove up total expenses for the year.

**"Other Items"** Items in this section are generally predictors of future income or expenses -- sometimes far in the future -- and are not part of current fiscal year cash flows. Included in "other items" are non-cash revenues/expenses: (1) Depreciation Expense; (2) Unrealized investment earnings/losses on District funds invested with the Public Agency Retirement Service (PARS); and (3) Changes to our PERS Unfunded Liability (UL) balance due to investment returns and/or the cost of assumption changes. In FY 2021-22, Other Items totaled \$231,134 (net expense) compared to \$1,004,871 (net expense) last year. The decrease from last year to this year is attributable to extraordinary investment returns on our funds invested with PERS. (For the FY 2021-22 Audit, PERS reports returns thru FY 2020-21, a lag of one year.)

### III. CAPITAL SPENDING

In FY 2021-22, the District continued the CIP 2021 project, plus began other smaller projects as noted below:

Project	Project Description	Amount spent FY 2021-22	% complete at FYE 2022
CIP 2021	Replace 5600 lf of galvanized pipe and lead goosenecks with 6" HDPE main on Old River Rd and Woodland Dr.	\$608,065	37% complete (Project Total: \$1,962,181)
Lower Harrison Tank Replacement	Removed old tank and replace with new 125,000 gallon tank	\$21,569	As of FYE, construction portion not yet out to bid. Est. \$586,000
Monte Rio Bridge	Remove steel main from old bridge, replace with 800 lf ductile main on new bridge	\$3,735	This is part of a pending County project. Est. at \$854,000.
Monte Rio Well 5 Rehab	Rehab MR Well 5 and building controls	\$77,512	73% complete Project Total: Est. at \$119,200)
Moscow Road	Relocate 200 lf 8" C-900 line with 8" ductile on the river side	\$4,545	This is part of a pending County project. Est. at \$150,000

In addition to these capital projects, \$1,025 was spent on Tank/Facilities improvements.

### IV. DISTRICT DEBT/SOURCES OF DEBT REPAYMENT

At the beginning of FY 2021-22, the District owed a total of \$9,689,185 in bond debt and a private placement loan. During the year the District made \$523,770 in principal payments. With interest, debt payments totaled \$777,969. No new debt was taken out in FY 2021-22. At FYE, the District owed a total of \$9,165,415 in borrowed funds.

The table below summarizes activity on the bonds and loans in FY 2021-22:

<u>DEBT TYPE</u>	<u>ORIGINAL PRINCIPAL</u>	<u>PRINCIPAL OWED JULY 1, 2021</u>	<u>PRINCIPAL PAID FY 2021-22</u>	<u>PRINCIPAL OWED FYE 2022</u>
USDA G.O. Bonds	\$1,647,875 (2014)	\$1,487,748	\$28,950	\$1,458,798
USDA G.O. Bonds	\$1,535,000 (2019)	\$1,510,000	\$26,000	\$1,484,000
Capital One Bonds	7,993,000 (2013)	\$5,255,892	\$296,500	\$4,959,392
Private Placement Loan	\$3,000,000 (2008)	\$1,435,545	\$172,320	\$1,263,225

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\$9,689,185

\$523,770

\$9,165,415

## 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 2021-22, reserves above policy at FYE totaled \$2,450,378. These funds are primarily used to make District debt payments and for capital improvements

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

The bulk of the District’s typical and unrestricted 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.** In FY 2021-22 surplus operating revenue was \$430,000 and surplus capital revenue was \$382,823, for a total of \$812,823.
- **Grants.** In FY 2021-22 the District recorded \$712,610 in grant funding for capital projects and is approved for additional grant funding expected to be received for the next two years.
- **Loan proceeds.** The District is not considering incurring additional debt at FYE.
- **Reserves at FYE.** Reserves available for capital spending and capital debt (“reserves above policy”) were at \$2,450,358 at FYE 2022. Less anticipated debt expenditures in FY 2022-23 as well as funds held with PARS and CERBT, at FYE reserves available for future capital project expenditures were \$1,373,027.

## 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.

**SWEETWATER SPRINGS WATER DISTRICT**  
**STATEMENT OF NET POSITION**  
**June 30, 2022 and 2021**

	June 30, 2022	June 30, 2021
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and investments	\$ 2,744,334	\$ 1,937,788
Accounts receivable	177,464	131,859
Flat charges receivables	26,859	30,622
Grant receivable	688,973	
Unbilled revenue	157,600	225,512
Inventory	56,505	56,505
Prepaid expenses	6,250	6,250
<b>TOTAL CURRENT ASSETS</b>	<b>3,857,985</b>	<b>2,388,536</b>
<b>NONCURRENT ASSETS</b>		
Land	143,053	143,053
Construction in progress	830,384	114,958
Buildings and improvements	32,430,205	32,429,180
Machinery and equipment	711,404	711,404
Less-accumulated depreciation	(14,557,089)	(13,621,716)
<b>TOTAL CAPITAL ASSETS, NET</b>	<b>19,557,957</b>	<b>19,776,879</b>
<b>OTHER NONCURRENT ASSETS</b>		
Restricted cash and investments	1,055,700	1,087,750
<b>TOTAL OTHER NONCURRENT ASSETS</b>	<b>1,055,700</b>	<b>1,087,750</b>
<b>TOTAL ASSETS</b>	<b>24,471,642</b>	<b>23,253,165</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	697,183	8,098
Accrued wages	14,759	15,020
Accrued interest	93,449	99,016
Customer deposits	21,158	15,077
Road maintenance obligations	5,082	5,080
Current portion of long term debt	540,225	523,771
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,371,856</b>	<b>666,062</b>
<b>LONG TERM LIABILITIES</b>		
Compensated absences	43,298	65,398
General obligation bonds payable	7,540,253	7,902,190
Citizens business bank (COP) payable	1,084,937	1,263,225
Net pension liability	(634,822)	104,210
Other postemployment benefits payable	(18,589)	(11,813)
<b>TOTAL LONG TERM LIABILITIES</b>	<b>8,015,077</b>	<b>9,323,210</b>
<b>TOTAL LIABILITIES</b>	<b>9,386,933</b>	<b>9,989,272</b>
<b>NET POSITION</b>		
Net Investment in capital assets	10,392,542	10,087,693
Unrestricted	4,692,167	3,176,200
<b>TOTAL NET POSITION</b>	<b>\$ 15,084,709</b>	<b>\$ 13,263,893</b>

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, 2022 and 2021**

	<u>Totals</u> <u>June 30, 2022</u>	<u>Totals</u> <u>June 30, 2021</u>
<b>Operating Revenues</b>		
Charges for services	\$ 2,789,045	\$ 2,756,680
Total Operating Revenues	<u>2,789,045</u>	<u>2,756,680</u>
<b>Operating Expenses</b>		
Salaries and employee benefits	1,397,937	1,285,266
Service and supplies	775,301	685,978
Depreciation	935,373	901,490
Total Operating Expenses	<u>3,108,611</u>	<u>2,872,734</u>
Operating Income (Loss)	<u>(319,566)</u>	<u>(116,054)</u>
<b>Non-Operating Revenues (Expenses)</b>		
Interest income	15,200	15,601
Rents	119,868	113,109
Flat charges	820,819	845,486
Grant income	712,610	93,283
Other non-operating revenue	(17,130)	121,445
Change in actuarial assumptions	737,647	(135,975)
Interest expense unfunded pension liability	-	(19,279)
Interest expense	<u>(248,632)</u>	<u>(264,948)</u>
Total Non-Operating Revenues (Expenses)	<u>2,140,382</u>	<u>768,722</u>
Net Income (Loss)	1,820,816	652,668
Total Net Position, Beginning of Fiscal Year	<u>13,263,893</u>	<u>12,611,225</u>
Total Net Position, End of Fiscal Year	<u>\$ 15,084,709</u>	<u>\$ 13,263,893</u>

See accompanying notes to basic financial statements

**SWEETWATER SPRINGS WATER DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**For the Fiscal Year Ended June 30, 2022 and 2021**

	Totals June 30, 2022	Totals June 30, 2021
Cash Flows From Operating Activities		
Cash received from customers	\$ 2,811,352	\$ 2,764,679
Payments to suppliers for goods and services	(743,716)	(682,906)
Payments to employees and related items	(1,368,800)	(1,277,026)
Net cash flows provided by operating activities	698,836	804,747
Cash Flows From Capital and Related Financing Activities		
Acquisition of capital assets	(111,142)	(320,635)
Grant income	23,637	93,283
Payments on long term debt	(523,771)	(872,220)
Payments on net pension liability	(1,385)	(534,552)
Interest payments	(254,199)	(269,350)
Net cash flows (used) by capital and related financing activities	(866,860)	(1,903,474)
Cash Flows From Non-Capital and Related Financing Activities		
Flat charges	824,582	848,197
Miscellaneous non-operating revenues	(17,130)	121,445
Net cash provided by non-capital and related financing activities	807,452	969,642
Cash Flows From Investing Activities		
Rents	119,868	113,109
Interest income	15,200	15,601
Net cash flows provided by investing activities	135,068	128,710
Net Increase (Decrease) in Cash and Investments	774,496	(375)
Cash and Investments, Beginning of Fiscal Year	3,025,538	3,025,913
Cash and Investments, End of Fiscal Year	\$ 3,800,034	\$ 3,025,538
Reconciliation of Cash and Investments to Amounts Reported on the Statement of Net Position:		
Cash and investments	\$ 2,744,334	\$ 1,937,788
Restricted cash and investments	1,055,700	1,087,750
	\$ 3,800,034	\$ 3,025,538
Supplemental Disclosures:		
Interest expense during the fiscal year	\$ 248,632	\$ 264,948
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, 2022 and 2021**

(Continued)

	Totals June 30, 2022	Totals June 30, 2021
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operations:		
Operating income (loss)	\$ (319,566)	(116,054)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation	935,373	901,490
(Increase) Decrease in Operating Assets:		
Accounts receivable/Unbilled Revenue	22,307	9,199
Inventory		
Prepaid expenses		
Increase (Decrease) in Operating Liabilities:		
Accounts payable	83,776	8,098
Accrued wages	(261)	2,739
Compensated absences	(22,100)	11,039
Customer deposits payable	6,081	(1,200)
Road maintenance obligations	2	(5,026)
Other postemployment benefits payable	(6,776)	(5,538)
Total Adjustments	1,018,402	920,801
Net Cash Provided by Operating Activities	\$ 698,836	\$ 804,747

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See accompanying notes to basic financial statements

**SWEETWATER SPRINGS WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**June 30, 2022 AND 2021**

**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, 2022 AND 2021**

**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, 2022 and 2021, accrued vacation pay amounted to \$43,298 and \$65,398 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, 2022 AND 2021**

**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, 2022:

	Unrestricted	Restricted	Totals
Cash on hand	\$ 300	\$ -	\$ 300
Cash in bank	233,922	154,296	388,218
Cash and investments	2,510,112	901,404	3,411,516
<b>Total Cash and Investments</b>	<b>\$ 2,744,334</b>	<b>\$ 1,055,700</b>	<b>\$ 3,800,034</b>
 Statement of Net Position:			
Cash and investments	\$ 2,744,334		
Restricted cash and investments	1,055,700		
<b>Total</b>	<b>\$ 3,800,034</b>		

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**  
**Notes to Basic Financial Statements**  
**June 30, 2022 AND 2021**

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	Remaining maturity (in Months)					
		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	\$ 240,141	\$ 240,141					
County Pooled Investment Fund	\$ 3,171,375	\$ 3,171,375	\$ -	\$ -	\$ -	\$ -	\$ -
	<u>\$ 3,411,516</u>	<u>\$ 3,411,516</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**SWEETWATER SPRINGS WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**June 30, 2022 AND 2021**

**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	\$ 240,141						\$ 240,141
County Pooled Investment Fund	\$ 3,171,375	N/A	\$ -	\$ -	\$ -	\$ -	\$ 3,171,375
Total	\$ 3,411,516		\$ -	\$ -	\$ -	\$ -	\$ 3,411,516

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, 2022, the District's deposits with financial institutions were \$176,665 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, 2022 AND 2021**

**Note 3: Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2022 was as follows:

	Balance at July 1, 2021	Additions	Deletions	Transfers	Balance at June 30, 2022
<b>Capital assets, not being depreciated:</b>					
Land	\$ 143,053	\$ -	\$ -	\$ -	\$ 143,053
Construction in progress	114,958	715,426			830,384
Total capital assets, not being depreciated	258,011	715,426			973,437
<b>Capital Assets, being depreciated:</b>					
Building and improvements	32,429,180	1,025			32,430,205
Machinery and equipment	711,404				711,404
Total capital assets, being depreciated	33,140,584	1,025			33,141,609
<b>Accumulated depreciation:</b>					
Building and improvements	(13,003,576)	(907,293)			(13,910,869)
Machinery and equipment	(618,140)	(28,080)			(646,220)
Total accumulated depreciation	(13,621,716)	(935,373)			(14,557,089)
Total depreciable assets, net	19,518,868	(934,348)			18,584,520
<b>Total capital assets, net</b>	<b>\$ 19,776,879</b>	<b>\$ (218,922)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 19,557,957</b>

Depreciation expense of \$934,348 was incurred and recorded as an operating expense for June 30, 2022.

**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, 2022:

	Balance at June 30, 2021	Additions	Repayments	Balance at June 30, 2022	Due Within One Year
2003 General Obligation Bonds	2,997,748		(54,951)	2,942,797	55,637
2013 General Obligation Refunding Bonds	5,255,893		(296,500)	4,959,393	306,300
Citizens Business Bank Certificates of Participation	1,435,545		(172,320)	1,263,225	178,288
Total	<b>\$ 9,689,186</b>	<b>\$ -</b>	<b>\$ (523,771)</b>	<b>\$ 9,165,415</b>	<b>\$ 540,225</b>

**SWEETWATER SPRINGS WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**June 30, 2022 AND 2021**

**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 1<sup>st</sup> and March 1<sup>st</sup> 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, 2022 are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
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	32,555	31,733	64,288
2028-2032	174,744	146,699	321,443
2033-2037	196,504	124,950	321,454
2038-2042	220,976	100,492	321,468
2043-2047	248,492	72,989	321,481
2048-2052	279,436	42,061	321,497
2053-2054	183,252	8,809	192,061
Total	<u>\$ 1,458,798</u>	<u>\$ 662,040</u>	<u>\$ 2,120,838</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 1<sup>st</sup> and June 1<sup>st</sup> in each year to maturity.



**SWEETWATER SPRINGS WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**June 30, 2022 AND 2021**

**Note 4: Long-Term Debt (Continued)**

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

Fiscal Year Ended June 30,	Principal	Interest	Total
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	29,000	30,634	59,634
2028-2032	153,000	143,089	296,089
2033-2037	171,000	124,886	295,886
2038-2042	192,000	104,580	296,580
2043-2047	220,000	82,231	302,231
2048-2052	245,000	55,181	300,181
2053-2057	272,000	26,174	298,174
2058	94,000	1,935	95,935
Total	<u>\$ 1,484,000</u>	<u>\$ 697,478</u>	<u>\$ 2,181,478</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, 2022 AND 2021**

**Note 4: Long-Term Debt (Continued)**

2013 General Obligation Refunding Bonds (Continued)

The scheduled annual minimum debt service requirements at June 30, 2022 are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
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	339,900	97,651	437,551
2028-2032	2,317,927	307,249	2,625,176
2033-2034	1,024,766	28,694	1,053,460
Total	<u>\$ 4,959,393</u>	<u>\$ 915,212</u>	<u>\$ 5,874,605</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.

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 1<sup>st</sup> and August 1<sup>st</sup> in the amount of \$117,007 through August 1, 2018 and \$108,038 for the remainder of the loan.

**SWEETWATER SPRINGS WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**June 30, 2022 AND 2021**

**Note 4: Long-Term Debt (Continued)**

The scheduled annual minimum debt service requirements at June 30, 2022 are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
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	201,633	14,444	216,077
2028-2029	314,322	9,794	324,116
Total	<u>\$ 1,263,225</u>	<u>\$ 141,273</u>	<u>\$ 1,404,498</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 \$32,540 and \$32,560 for June 30, 2022 and 2021 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, 2021 Annual Actuarial Valuation Report. Details of the benefits provided can be obtained in Appendix B of the June 30, 2021 actuarial valuation report. This report is a publicly available valuation report that can be obtained at CalPERS' website under Forms and Publications.

**SWEETWATER SPRINGS WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**June 30, 2022 AND 2021**

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, 2019 (the measurement date), the active employee contribution rate is 6.91 percent of annual pay and the average employer’s contribution rate is 10.34 percent of annual payroll for the 2% @ 55 plan and the active employee contribution rate is 6.75 percent of annual pay and the average employer’s contribution rate is 7.59 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, 2022, the District’s annual pension cost of \$ 66,612 for PERS was equal to the District’s required and actual contributions and plus an additional \$ 1,385 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, 2022 was determined as part of the June 30, 2019 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>
6/30/20	70,738	100%	0
6/30/21	68,732	100%	0
6/30/22	66,612	100%	0

**SWEETWATER SPRINGS WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**June 30, 2022 AND 2021**

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>
6/30/19	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
6/30/22	5,998,048	6,613,573	(615,525)	110.3%	406,661

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>
6/30/19	46,738	44,732	2,006	95.7%	245,097
6/30/20	107,053	102,198	4,855	95.5%	346,587
6/30/22	187,446	205,360	(17,914)	109.6%	367,075

**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 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.

**SWEETWATER SPRINGS WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**June 30, 2022 AND 2021**

**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 November, 2019, the District entered into a contract with Coastland Civil Engineering for Design/Engineering Services related to Lower Harrison Tank driveway retaining wall in the sum of \$46,511. As of June 2022, \$21,569 was paid to Coastland.

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 2022, \$136,866 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 FY 2021-22, this project was permanently cancelled.

In December 2021, the District entered into a contract with Bartley Pump LLC for rehabilitation and electrical work on two (2) District wells in the sum of \$89,212. As of June 2022, \$75,512 was paid to Bartley Pump.

In February, 2022, the District entered into a contract with Piazza Construction for construction of CIP 2021 in the sum of \$1,353,421. In FY 2021-22, change orders totaling \$32,085 were approved, bringing the total contract with Piazza to \$1,385,506. As of June 2022, \$547,225 was paid to Piazza.

In February, 2022, the District entered into a contract with Coastland Civil Engineering for Construction Management Services related to CIP 2021 in the sum of \$161,880. As of June 2022, \$40,985 was paid to Coastland.

**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 Classic PERS members), and who continue health insurance through a District-sponsored health insurance plan, the District will

**SWEETWATER SPRINGS WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**June 30, 2022 AND 2021**

contribute the minimum monthly amount (as required by CalPERS) of the health insurance premium (\$149 in 2022 and \$143 in 2021).

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 2021-22 the District contributed \$11,043, which covered current premiums and \$3,000 of additional prefunding of benefits. Currently, there are 6 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 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	\$ 4,157
Interest on net OPEB obligation	(562)
Adjustment to ARC	619
Annual OPEB cost (expense)	4,214
Contributions made	(11,043)
Increase in net OPEB obligation	(6,829)
Net OPEB obligation – Beginning of the year	(11,760)
Net OPEB obligation – End of year	\$ (18,589)

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2019-20, 2020-21 and 2021-22 were as follows:

Fiscal Year	Annual OPEB Cost	Percent of Annual OPEB Cost	OPEB Obligation (Asset)
6/30/2020	\$ 6,839	128%	\$ (6,983)
6/30/2021	\$ 5,503	100%	\$ (11,813)
6/30/2022	\$ 4,214	262%	\$ (18,589)

Funded Status and Funding Progress

As of June 30, 2022, the most recent Alternate Measurement Method valuation date, the plan was 24.4% funded. The actuarial accrued liability for benefits was \$236,807, and the actuarial value of assets was \$57,837, resulting in an unfunded actuarial accrued liability (UAAL) of \$178,970. The covered payroll (annual payroll of active employees covered by the plan) was \$281,873, and the ratio of the UAAL to the covered payroll was 84 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

**SWEETWATER SPRINGS WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**June 30, 2022 AND 2021**

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

Projections 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.

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, 2022 was twenty-two (22) 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%
6/30/2022	\$ 236,807	\$ 57,837	\$ 178,970	24.4%

**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 6, 2022 that meet the above definition.



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# **SWEETWATER SPRINGS WATER DISTRICT**

**TO:** Board of Directors

**AGENDA NO. V-B**

**FROM:** Eric Schanz, General Manager

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**Meeting Date:** December 1, 2022

**SUBJECT: 2023 ORGANIZATION MEETING / BOARD ELECTIONS**

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**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:** Eric Schanz, General Manager

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**Meeting Date: December 1, 2022**

**Subject: Contract Meter Reader**

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**RECOMMENDED ACTION:**

Staff will provide an update on status of the open Contract Meter Reader position.

**FISCAL IMPACT:**

Approximately \$35,000 annually.

**DISCUSSION:**

Discussion/Action regarding contract meter reader position. Legal Counsel and the General manager are in the process of reviewing/revising the current contract for the open Contract Meter Reader position.

# SWEETWATER SPRINGS WATER DISTRICT

**TO:** Board of Directors

**AGENDA NO. V-D**

**FROM:** Eric Schanz, General Manager

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**Meeting Date: December 1, 2022**

**Subject: In Person Meetings Monte Rio Community Center**

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**RECOMMENDED ACTION:**

Discussion/Action by the Board of Directors to resume in person meetings at Monte Rio Community Center.

**FISCAL IMPACT:**

Cost of rental \$60.00 per hr.  
Optional Cost: \$40.00 Trash Removal  
\$40.00 Restroom Cleaning

**DISCUSSION:**

Legal Counsel will provide more information on the changing teleconferencing Rules.  
Staff has confirmed the availability of free Wi-Fi at the facility.

During the November Board meeting Director Robb-Wilder provided information on availability and rental fees for resuming in person meetings at the Monte Rio Community Center. Staff was directed by the Board to provide more information about internet connectivity and the rules for teleconference.

# SWEETWATER SPRINGS WATER DISTRICT

**TO:** Board of Directors

**AGENDA NO. V-E**

**FROM:** Eric Schanz, General Manager

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**Meeting Date: December 1, 2022**

**Subject: Board subcommittee reports**

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**RECOMMENDED ACTION:**

Receive updates from active Board subcommittees.

**FISCAL IMPACT:**

Varies.

**DISCUSSION:**

This item is a standing placeholder for any Board subcommittee updates that have not been addressed in a separate item.

# SWEETWATER SPRINGS WATER DISTRICT

**TO:** Board of Directors

**AGENDA NO. VI**

**FROM:** Eric Schanz, General Manager

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**Meeting Date:** December 1, 2022

**Subject:** GENERAL MANAGER'S REPORT

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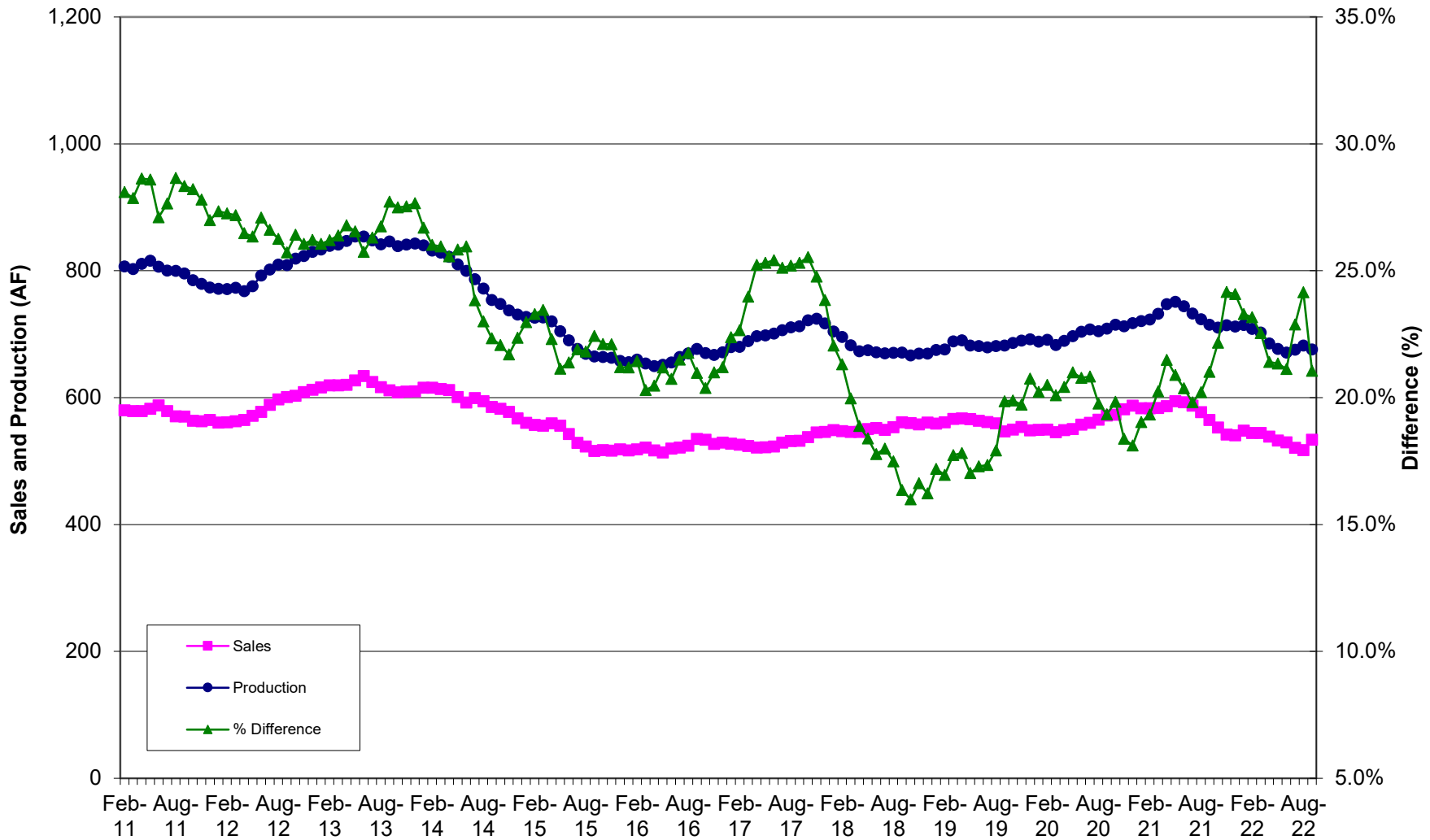
**RECOMMENDED ACTION:** Receive report from the General Manager.

**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 31,859 units (Guerneville cycle). Water Sales have trended slightly higher as compared to this time last year. Overall water sales remain consistent compared to previous years. Total combined Monte Rio and Guerneville water production for October were 50.43 AF.
- 3. Leaks:** Water main breaks and service breaks continue to trend down overall in October. (Figure2). There was a total of 3 watermain leak repairs in October requiring 36 work hours total, and 6 service leaks requiring 80 work hours total.
- 4. In-House Construction Projects:** None.
- 5. CIP 2021 Old River Road/Woodland Drive:** Sonoma County is in the process of final approval of the paving plan submitted by Piazza Construction.
- 6. Grants:** A partial grant reimbursement has been received for CIP 2021 in the amount of \$596,134.03.
- 7. Office Site Upgrades:** New Office Generator has been installed with an automatic transfer switch. The new generator provides back up power to the entire office ensuring our critical systems remain powered up in the event of a PG&E outage.
- 8. Planning Commission Meeting Update:** Report on Planning Commission meeting on December 1<sup>st</sup> regarding Vacation Beach access.

**Figure 1. Water Production and Sales 12 Month Moving Averages  
Sweetwater Springs Water District Since February 2011**



**Figure 2. Sweetwater Springs Water District Main and Service Pipeline Breaks  
Moving Annual Average Since October 2010**

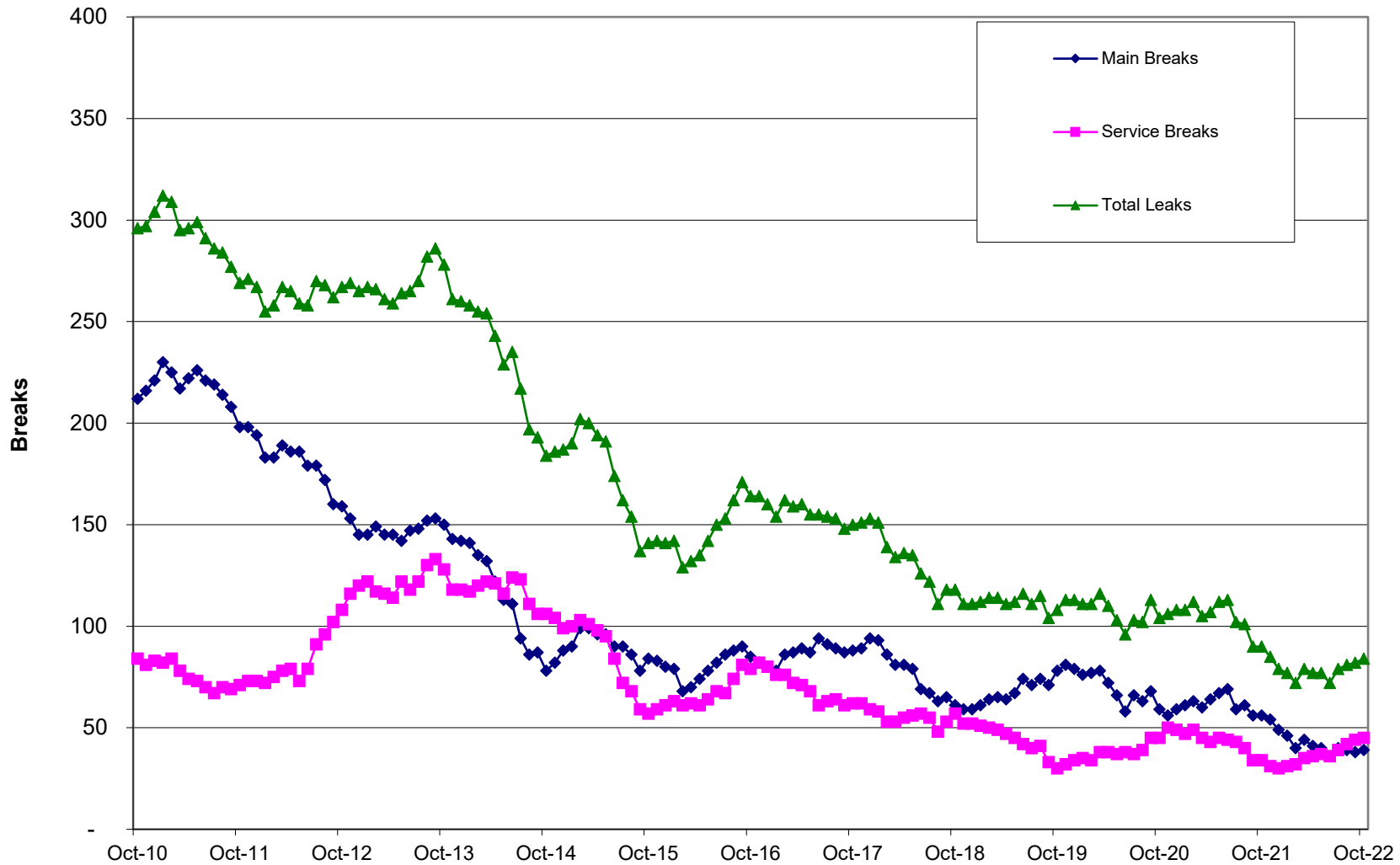
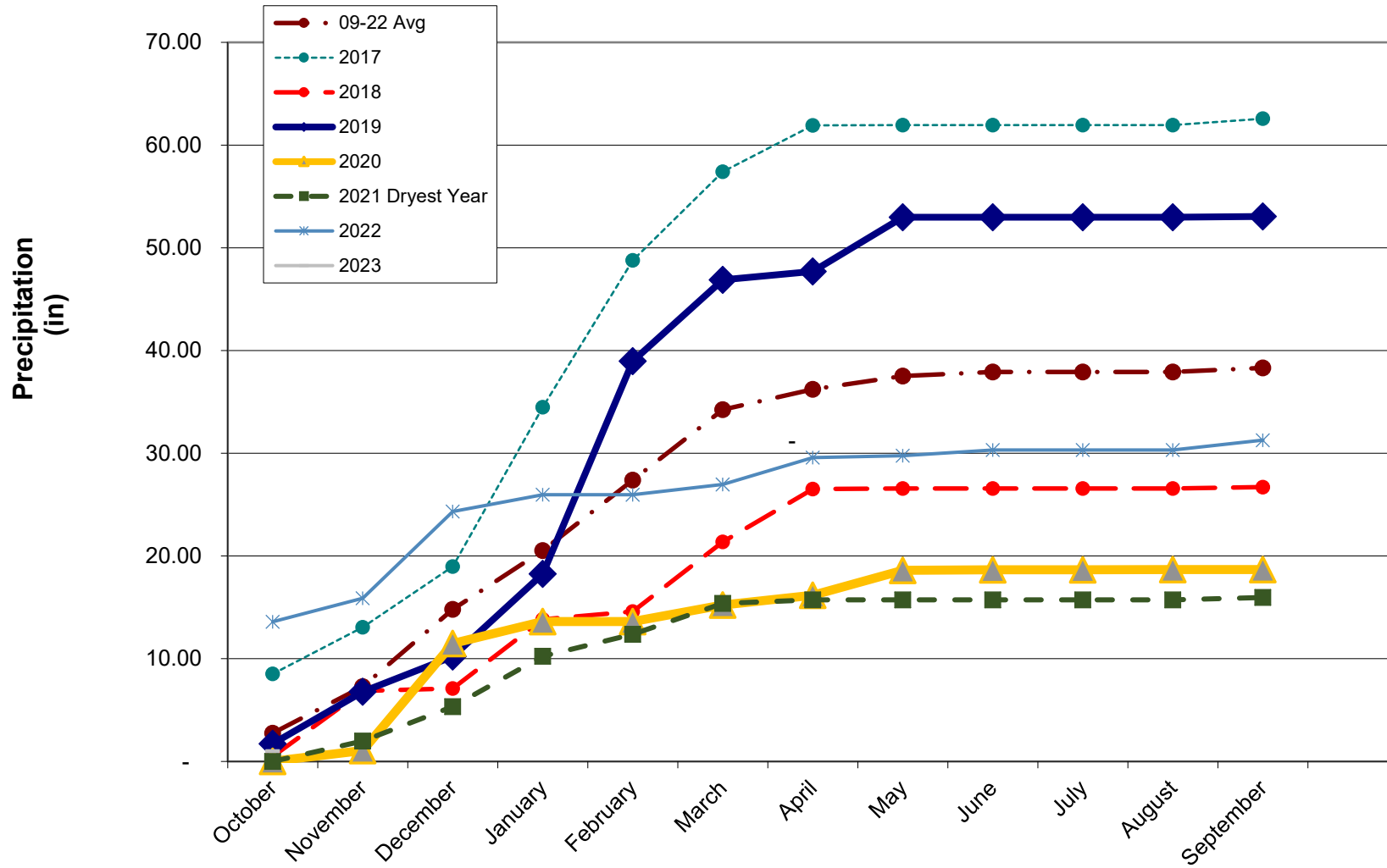
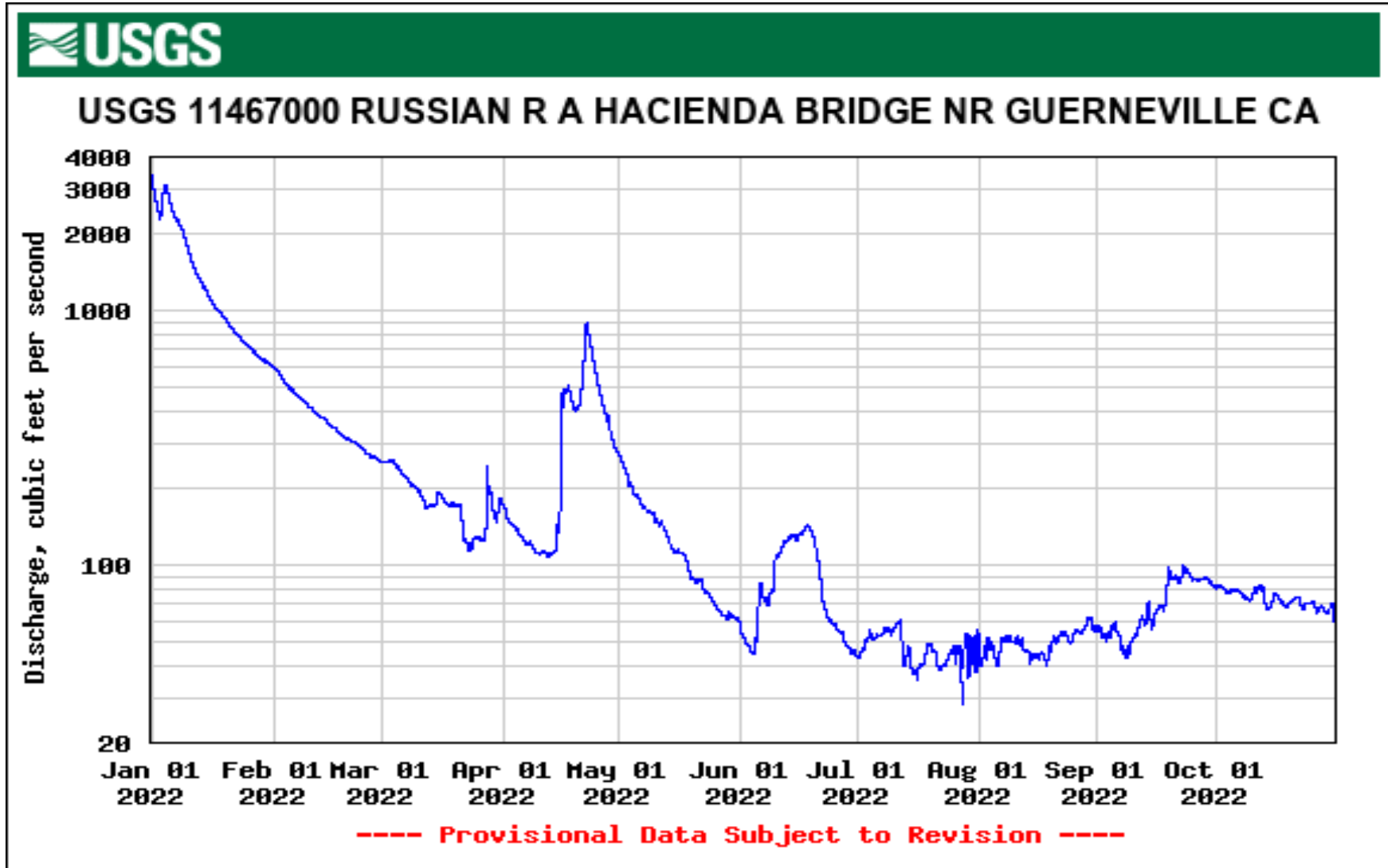




Figure 3. Guerneville Cumulative Monthly Rainfall





## NUMBER OF WATER UNITS SOLD FY 22 - 23

	FY01-02	FY02-03	FY03-04	FY04-05	FY05-06	FY 06-07	FY 07-08	FY 08-09	FY 09-10	FY 10-11	FY 11-12	FY 12-13	FY 13-14	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23
JULY	34,371	26,447	26,355	33,578	22,195	27,469	27,147	28,091	21,035	17,808	20,061	22,850	25,890	22,074	16,377	19,044	19,608	20,255	19,273	22,297	21,558	20,306
AUGUS	39,803	37,750	42,080	41,615	37,799	41,863	37,202	37,907	34,878	32,328	28,486	33,190	29,163	32,208	26,070	26,811	29,485	28,325	27,419	28,582	26,302	22,555
SEPTEN	33,723	34,532	36,056	35,309	29,823	35,984	31,721	32,753	30,320	29,673	26,091	29,829	26,157	24,091	21,678	22,893	24,037	25,805	24,886	27,175	22,746	21,271
OCTOB	40,672	34,063	37,008	38,553	38,707	37,900	36,493	34,938	32,282	32,334	32,091	33,727	31,628	27,724	24,606	29,333	29,495	32,827	27,310	30,099	24,731	31,859
NOVEM	28,272	28,729	26,973	27,839	26,680	24,076	24,444	25,746	23,111	24,160	21,350	22,218	20,729	19,489	20,101	19,462	21,884	21,351	22,640	23,173	17,984	
DECEM	25,380	27,758	27,283	25,508	23,925	25,550	21,556	24,762	21,116	20,802	20,299	22,818	23,452	21,256	20,873	18,070	21,297	20,468	22,288	25,982	21,110	
JANUA	16,091	19,287	16,799	15,416	16,127	15,862	13,309	14,631	14,764	13,734	14,645	16,242	16,316	11,914	12,727	13,676	14,146	15,335	12,925	15,529	15,062	
FEBRU	21,697	23,010	20,689	19,695	22,716	20,963	18,647	21,199	19,233	18,386	16,641	18,372	20,967	17,770	17,189	16,504	17,693	16,950	17,284	15,506	18,727	
MARCH	17,207	15,092	17,374	14,985	15,456	16,693	14,556	14,417	14,414	12,387	12,569	13,884	13,772	12,351	13,058	12,315	11,657	12,653	12,827	12,846	11,236	
APRIL	17,728	19,527	21,406	21,089	18,825	21,047	19,227	18,414	17,611	17,129	17,936	17,914	17,053	16,636	17,748	16,809	16,279	18,547	16,886	17,038	17,024	
MAY	19,118	16,237	19,793	16,372	13,921	15,402	15,721	15,861	14,273	14,134	14,880	15,075	14,514	16,120	14,217	13,083	13,011	13,319	14,602	15,866	13,375	
JUNE	29,799	27,074	28,882	22,512	24,108	25,457	29,211	26,259	19,143	20,871	23,765	26,850	22,092	20,436	19,020	19,198	21,220	20,612	21,453	24,720	21,975	
<b>Total</b>	<b>323,861</b>	<b>309,506</b>	<b>320,698</b>	<b>312,471</b>	<b>290,282</b>	<b>308,266</b>	<b>289,234</b>	<b>294,978</b>	<b>262,180</b>	<b>253,746</b>	<b>248,814</b>	<b>272,969</b>	<b>261,733</b>	<b>242,069</b>	<b>223,664</b>	<b>227,198</b>	<b>239,812</b>	<b>246,447</b>	<b>239,793</b>	<b>258,813</b>	<b>231,830</b>	<b>95,991</b>