SERRANO WATER DISTRICT

ANNUAL FINANCIAL REPORT

WITH REPORT ON AUDIT
BY INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS

FOR THE YEAR ENDED
JUNE 30, 2020

SERRANO WATER DISTRICT
For the Fiscal Year Ended June 30, 2020
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BOARD OF DIRECTORS

TITLE	MEMBER	TERM EXPIRATION
PRESIDENT	C.L. “Larry” Pharris, Jr.	December 2020
VICE-PRESIDENT	Greg Mills	December 2020
DIRECTOR	Frank Bryant	December 2022
DIRECTOR	Jerry L. Haight	December 2020
DIRECTOR	Brad Reese	December 2022

ADMINISTRATION

GENERAL MANAGER/SECRETARY	Jerry Vilander
DEPUTY SECRETARY/TREASURER	Vittorio Roggero
DEPUTY SECRETARY	Laura Helfin
DEPUTY SECRETARY	Joel D. Kuperberg

ATTORNEY

REPRESENTING RUTAN & TUCKER, ATTORNEYS	Jeremy Jungreis

WNDE
White Nelson Diehl Evans LLP
CPAs | TAX | ADVISORY | AUDIT

INDEPENDENT AUDITORS' REPORT

Board of Directors
Serrano Water District
Villa Park, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Serrano Water District (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

2875 Michelle Drive, Suite 300 | Irvine, California 92606 | WNDECPA.com | 714.978.1300

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Serrano Water District, as of June 30, 2020, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Partial Prior-Year Comparative Information

The financial statements include partial prior-year comparative information. Such information does not include all of the information required to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2019, from which such partial information was derived.

Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of proportionate share of the net pension liability and the schedule of contributions - CalPERS pension plans - miscellaneous, and the schedule of changes in the total OPEB liability and related ratios, identified as Required Supplementary Information (RSI) in the accompanying table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic financial statements. We do not express an opinion or provide any assurance on the RSI because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

White Nelson Diehl Evans LLP

Irvine, California
October 6, 2020

MANAGEMENT’S DISCUSSION AND ANALYSIS

SERRANO WATER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2020

This section of the Serrano Water District's annual financial report presents an analysis of the District's financial performance during the fiscal years ended June 30, 2020. This information is presented in conjunction with the audited basic financial statements, which follow this section.

FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2019

The District's net position from operating activities increased by $1,379,248 during the fiscal year, and the overall net position increased by $1,483,170 or 12.46 percent.

Total revenues decreased by $2,225 or 0.04 percent from $6,262,140 to $6,259,915.

Total expenses decreased by $853,238 or 15.16 percent from $5,629,983 to $4,776,745.

The District purchased 0 acre-feet of water, in the amount of $0 to meet the needs of its customers; as of June 30, 2020, 0.0 acre-feet of water is being held in storage for the next fiscal period.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of the following three parts: Management's Discussion and Analysis, Basic Financial Statements and Required Supplementary Information. The Financial Statements include notes which explain in detail some of the information included in the basic financial statements.

REQUIRED FINANCIAL STATEMENTS

The Financial Statements of the District report information utilizing the full accrual basis of accounting. The Financial Statements conform to accounting principles which are generally accepted in the United States of America. The Statements of Net Position include information on the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources and provide information about the nature and amounts of investments in resources (assets) and the obligations to District creditors (liabilities). The Statements of Revenues, Expenses and Changes in Net Position identify the District's revenues and expenses for the fiscal years ended June 30, 2020. These statements provide information on the District's operations over the fiscal year and can be used to determine whether the District has recovered all its actual and projected costs through user fees and other charges. The third financial statement is the Statements of Cash Flows. These statements provide information on the District's cash receipts, cash payments and changes in cash resulting from operations, investments, and financing activities. From the Statements of Cash Flows, the reader can obtain comparative information on the source and use of cash and the change in the cash and cash equivalents balance for fiscal year.

FINANCIAL ANALYSIS OF THE DISTRICT

The Statements of Net Position and the Statements of Revenues, Expenses and Changes in Net Position provide an indication of the District's financial condition and indicate that the financial condition of the District improved during the last fiscal year. The District's net position reflects the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. An increase in net position over time typically indicates an improvement in financial condition.

STATEMENTS OF NET POSITION

A summary of the District's Statements of Net Position are presented in Table 1.

TABLE 1
Condensed Statements of Net Position

	Fiscal Year 2020	Fiscal Year 2019	Dollar Change	Percent Change
Assets:				
Current and other assets	$ 8,882,807	$ 7,187,435	$ 1,695,372	
Capital assets	11,184,807	11,526,739	(341,932)	
Total Assets	20,067,614	18,714,174	1,353,440	7.23%
Deferred Outflows of Resources	358,587	1,338,882	(980,295)	-73.22%
Liabilities:				
Current liabilities	966,898	1,087,739	(120,841)	
Long-term liabilities	5,975,230	6,928,124	(952,894)	
Total Liabilities	6,942,128	8,015,863	(1,073,735)	-13.40%
Deferred Inflows of Resources	97,633	133,923	(36,290)	-27.10%
Net Position:				
Net investment in capital assets	8,983,420	8,979,725	3,695	
Unrestricted	4,403,020	2,923,545	1,479,475	
Total Net Position	$ 13,386,440	$ 11,903,270	$ 1,483,170	12.46%

NET POSITION (CONTINUED)

As the above tables indicate, total assets and deferred outflows of resources increased by $373,145 during the fiscal year ended June 30, 2020. This was attributed to the District's increase in the overall cash position and a decrease in deferred outflow activity for GASB 68&75. Additionally, the District had decreases in various asset items.

Total liabilities and deferred inflows of resources decreased by $1,110,025 during the fiscal year ended June 30, 2019. This decrease was attributed to the refinancing of the District's long-term debt and increase in the net OPEB liability.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

TABLE 2
Condensed Statements of Revenues,
Expenses and Changes in Net Position

	Fiscal Year 2020	Fiscal Year 2019	Dollar Change	Percent Change
Revenues:				
Operating revenues	$ 6,062,118	$ 5,912,664	$ 149,454	
Nonoperating revenues	197,797	349,476	(151,679)	
Total Revenues	6,259,915	6,262,140	(2,225)	-0.04%
Expenses:				
Depreciation	538,128	522,128	16,000	
Other operating expenses	4,144,742	4,941,737	(796,995)	
Nonoperating expenses	93,875	166,118	(72,243)	
SWD Recreation, Inc. activity	-	-	-	
Total Expenses	4,776,745	5,629,983	(853,238)	-15.16%
Change in Net Position	1,483,166	632,157	851,009	
Beginning Net Position	11,903,274	11,271,113	632,161	
Ending Net Position	$ 13,386,440	$ 11,903,270	$ 1,483,170	12.46%

The Statements of Revenues, Expenses and Changes in Net Position identify the various revenue and expense items which affect the change in net position. As the information in Table 2 indicates, for the fiscal year ended June 30, 2020, total revenues decreased by $2,225. Total expenses decreased by $853,238. The decrease in revenue was attributed to lower non-operating activity. The decrease in expenses was attributed to overall lower water cost.

CAPITAL ASSETS

As of June 30, 2020, the District's investment in capital assets totaled $11,184,807. Additional information on the District's capital assets is provided in Note 4 of the notes to the financial statements.

LONG-TERM DEBT

As of June 30, 2020, the District had $5,975,230 in outstanding long-term debt, a decrease of $952,894 from June 30, 2019. The decrease was attributed to the reduction of the District's outstanding loans. Additionally, the District's net pension liability GASB 68 decreased by $896,420. Additional information on the District's long-term debt is provided in Notes 5, 9, and 11 of the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Board of Directors adopted the District's budget for the fiscal year ending June 30, 2020. Operating revenues are projected to be $6,656,002.

ADDITIONAL FINANCIAL INFORMATION

This financial report is designed to provide the District's customers, debt holders and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding information included in this report or wish to request additional financial information, please contact the Serrano Water District's General Manager at 18021 E. Lincoln Street, Villa Park, CA 92861.

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BASIC FINANCIAL STATEMENTS

SERRANO WATER DISTRICT

STATEMENT OF NET POSITION

June 30, 2020
(with prior-year comparative totals)

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2020	2019
ASSETS:		
CURRENT ASSETS:		
Cash and cash equivalents (Note 2)	$ 7,585,322	$ 6,356,369
Certificates of deposit (Note 2)	504,393	-
Accounts receivable - water users	620,095	621,002
Accounts receivable - general (Note 6)	13,421	115,851
Accounts receivable - water districts (Note 3)	50,913	31,375
Interest receivable	19,094	31,461
Prepaid expenses	89,569	31,377
TOTAL CURRENT ASSETS	8,882,807	7,187,435
CAPITAL ASSETS (NOTE 4):		
Not depreciable	147,790	147,790
Depreciable, net of accumulated depreciation	11,037,017	11,378,949
TOTAL CAPITAL ASSETS	11,184,807	11,526,739
TOTAL ASSETS	20,067,614	18,714,174
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred amounts from OPEB plan	187,374	-
Deferred amounts from pension plans	171,213	1,338,882
TOTAL DEFERRED OUTFLOWS OF RESOURCES	358,587	1,338,882

See accompanying notes to basic financial statements.

SERRANO WATER DISTRICT

STATEMENT OF NET POSITION
(CONTINUED)

June 30, 2020
(with prior-year comparative totals)

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	2020	2019
LIABILITIES:		
CURRENT LIABILITIES:		
Accounts payable	$ 295,100	$ 447,598
Construction deposits	12,000	6,000
Accrued wages	43,107	46,121
Accrued compensated absences	105,099	79,693
Orange County Water District - note payable - current portion (Note 5)	14,004	27,290
Holman Capital - installment sale agreement - current portion (Note 5)	330,712	318,337
Customer deposits	166,876	162,700
TOTAL CURRENT LIABILITIES	966,898	1,087,739
LONG-TERM LIABILITIES (LESS CURRENT PORTION):		
Orange County Water District - note payable (Note 5)	-	14,004
Holman Capital - installment sale agreement (Note 5)	1,856,671	2,187,383
Net pension liability (Note 9)	449,437	1,345,857
Net OPEB liability (Note 11)	3,669,122	3,380,880
TOTAL LONG-TERM LIABILITIES (LESS CURRENT PORTION)	5,975,230	6,928,124
TOTAL LIABILITIES	6,942,128	8,015,863
DEFERRED INFLOWS OF RESOURCES:		
Deferred amounts from OPEB plans	41,842	-
Deferred amounts from pension plans	55,791	133,923
TOTAL DEFERRED INFLOWS OF RESOURCES	97,633	133,923
NET POSITION:		
Net investment in capital assets	8,983,420	8,979,725
Unrestricted	4,403,020	2,923,545
TOTAL NET POSITION	$ 13,386,440	$ 11,903,270

See accompanying notes to basic financial statements.

SERRANO WATER DISTRICT

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION

For the year ended June 30, 2020
(with prior-year comparative totals)

	2020	2019
OPERATING REVENUES:		
Water sales - domestic	$ 4,714,824	$ 4,667,048
Water sales - bulk (Note 6)	1,343,485	1,240,792
Water sales - irrigation	3,809	4,824
TOTAL OPERATING REVENUES	6,062,118	5,912,664
OPERATING EXPENSES:		
Source of supply:		
Maintenance and supplies	216,954	99,367
Purchased water	149,648	1,225,301
Replenishment assessment	677,050	890,248
Power	389,272	359,952
Water treatment:		
Maintenance, supplies, and analysis	331,696	206,209
Transmission and distribution:		
Salaries	535,773	508,435
Maintenance and supplies	124,060	241,736
Vehicle expenses	29,049	36,389
Uniforms	3,938	3,481
Water conservation	-	402
Administrative and general:		
Public relations	2,892	20,103
Salaries	398,326	370,759
Office supplies and expenses	15,297	21,698
Telephone and utilities	27,853	33,121
Printing	19,197	16,960
Auto expenses	8,754	9,630
Travel and meetings	15,315	19,270
Dues and subscriptions	23,927	38,534
Security	7,614	7,294
Payroll preparation	5,626	5,377
Legal	111,151	93,838
Audit and accounting	23,645	26,130
Directors	32,000	32,813
Computer and miscellaneous	130,248	32,017
Subtotal - Operating Expenses (Carried Forward)	3,279,285	4,299,064

See accompanying notes to basic financial statements.

SERRANO WATER DISTRICT

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
(CONTINUED)

For the year ended June 30, 2020
(with prior-year comparative totals)

	2020	2019
OPERATING EXPENSES (CONTINUED):		
Subtotal - Operating Expenses (Brought Forward)	$ 3,279,285	$ 4,299,064
Insurance expense:		
Property and liability	39,761	44,085
Workers' compensation	17,050	16,224
Employee benefits:		
Group, medical, dental, and life	642,483	607,711
Pension plans (Note 9)	292,458	79,644
Payroll taxes	67,984	64,341
Less: reimbursed overhead and labor	(194,279)	(169,332)
Depreciation	538,128	522,128
TOTAL OPERATING EXPENSES	4,682,870	5,463,865
OPERATING INCOME	1,379,248	448,799
NONOPERATING REVENUES (EXPENSES):		
Recreation income	46,519	-
Interest income	107,884	133,359
Development and other nonoperating revenues	37,340	216,117
Interest expense	(93,875)	(154,768)
Other nonoperating expenses	6,054	(11,350)
TOTAL NONOPERATING REVENUES (EXPENSES)	103,922	183,358
CHANGES IN NET POSITION	1,483,170	632,157
NET POSITION - BEGINNING OF YEAR	11,903,270	11,271,113
NET POSITION - END OF YEAR	$ 13,386,440	$ 11,903,270

See accompanying notes to basic financial statements.

SERRANO WATER DISTRICT

STATEMENT OF CASH FLOWS

For the year ended June 30, 2020
(with prior year comparative totals)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	$ 6,233,952	$ 6,270,839
Cash payments to suppliers of goods and services	(3,048,068)	(3,738,341)
Cash payments to employees for salaries and wages	(936,322)	(1,918,673)
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,249,562	613,825
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	(196,196)	(235,417)
Proceeds from installment sale agreement	-	2,660,394
Principal and fees paid from proceeds of borrowing	-	(2,625,778)
Principal paid on long-term liabilities	(345,627)	(321,820)
Interest paid on long-term liabilities	(94,644)	(160,730)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(636,467)	(683,351)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of certificates of deposit	(504,393)	-
Interest income	120,251	116,402
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(384,142)	116,402
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,228,953	46,876
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	6,356,369	6,309,493
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 7,585,322	$ 6,356,369

See accompanying notes to basic financial statements.

SERRANO WATER DISTRICT

STATEMENT OF CASH FLOWS
(CONTINUED)

For the year ended June 30, 2020
(with prior year comparative totals)

	2020	2019
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	$ 1,379,248	$ 448,799
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	538,128	522,128
Concession income	46,519	-
Development and other nonoperating revenues	37,340	216,117
Other nonoperating expenses	6,054	(11,350)
Changes in operating assets, deferred outflows of resources, operating liabilities and deferred inflows of resources:		
(Increase) decrease in assets and deferred outflows of resources:		
Accounts receivable	83,799	138,808
Prepaid expenses	(58,192)	5,764
Inventory of purchased water	-	289,607
Deferred outflows of resources from OPEB plans	(187,374)	-
Deferred outflows of resources from pension plans	1,167,669	(912,895)
Increase (decrease) in liabilities and deferred inflows of resources:		
Accounts payable	(151,729)	(105,804)
Construction deposits	6,000	2,000
Accrued wages	(3,014)	(2,038)
Accrued compensated absences	25,406	24,133
Customer deposits	4,176	3,250
Net pension liability	(896,420)	(31,419)
Net OPEB liability	288,242	136,553
Deferred inflows of resources from OPEB plans	41,842	-
Deferred inflows of resources from pension plans	(78,132)	(109,828)
Total adjustments	870,314	165,026
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 2,249,562	$ 613,825

See accompanying notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. General Information

Serrano Water District (the District), formerly Serrano Irrigation District, is a special governmental district of the State of California organized under the California Irrigation Law. (State Instrument dated October, 1911). The District was formed on July 25, 1927. It took over Villa Park Mutual Water Company on March 31, 1964. The District's responsibility is to supply water as far as the individual water meters located within the District.

The District services an area of approximately 2,000 acres in Villa Park and Orange. The number of domestic meters in service during the year ended June 30, 2020 was approximately 2,270.

The District's sources of water are native water drawn from Santiago Reservoir (also called Irvine Lake) and three operable water wells. Occasionally, when available, water is drawn from the reservoir at the Villa Park Dam. The District also has three operable water wells, and pumps approximately 77% of its usage for its customers.

The District is one-half owner of the Santiago Dam and Reservoir facilities. The District holds one-fourth of the water rights in water impounded in the Santiago Reservoir under an agreement dated February 26, 1928 with the Irvine Company, which subsequently has been modified and amended on numerous occasions.

Reservoir capacity of the District for treated water is presently 9.0 million gallons.

Willard Smith Reservoir #1	3.0 million gallons
Willard Smith Reservoir #2	3.0 million gallons
Lockett Reservoir	3.0 million gallons

The capacity of the Walter E. Howlier Water Filtration Plant is 4 million gallons per day.

b. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The District is accounted for as an enterprise fund (proprietary fund type). A fund is an accounting entity with a self-balancing set of accounts established to record the financial position and results of operations of a specific governmental activity. The activities of enterprise funds closely resemble those of ongoing businesses in which the purpose is to conserve and add to basic resources while meeting operating expenses from current revenues. Enterprise funds account for operations that provide services on a continuous basis and are substantially financed by revenues derived from user charges.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

"Measurement focus" is a term used to describe *which* transactions are recorded within the various financial statements. "Basis of accounting" refers to *when* transactions are recorded regardless of the measurement focus applied. The accompanying financial statements are reported using the "economic resources measurement focus", and the "accrual basis of accounting". Under the economic measurement focus all assets, deferred outflows of resources, liabilities and deferred inflows of resources (whether current or noncurrent) associated with these activities are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

c. New Accounting Pronouncements

Current Year Standards

GASB 95 - *Postponement of the Effective Dates of Certain Authority Guidance*, effective during fiscal year 2019-2020 and resulted delaying the implementation requirements for certain Statements and Implementation Guides to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic.

GASB 97 - *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32,* effective for fiscal years beginning after June 15, 2021, paragraphs 4 and 5. The requirements of these paragraphs did not impact the District.

Pending Accounting Standards

GASB has issued the following statements, which may impact the District's financial reporting requirements in the future:

- GASB 84 - *Fiduciary Activities*, effective for periods beginning after December 15, 2019.
- GASB 87 - *Leases*, effective for periods beginning after June 15, 2021.
- GASB 89 - *Accounting for Interest Cost Incurred before the End of a Construction Period*, effective for periods beginning after December 15, 2020.
- GASB 90 - *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*, effective for periods beginning after December 15, 2019.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c. New Accounting Pronouncements (Continued)

Pending Accounting Standards (Continued)

- GASB 91 - *Conduit Debt Obligations*, effective for periods beginning after December 15, 2021.
- GASB 92 - *Omnibus 2020*, primarily effective for periods beginning after June 15, 2020.
- GASB 93 - *Replacement of Interbank Offered Rates*, effective for periods beginning after June15, 2021.
- GASB 94 - *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, effective for periods beginning after June 15, 2022.
- GASB 96 – *Subscription-Based Information Technology Arrangements,* effective for fiscal years beginning after June 15, 2022
- GASB 97 - *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32,* effective for fiscal years beginning after June 15, 2021, except for the requirements of paragraphs 4 and 5.

d. Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all investment instruments purchased with an original maturity date of three months or less to be cash equivalents.

e. Accounts Receivable - Water Users and General

The balance shown as a receivable represents the amount of water usage and service charges that have been earned but not yet collected at year-end. The District estimates the amounts earned, but not yet billed as of year-end and includes the estimate in this account.

f. Uncollectible Water Sales

The amount of uncollectible water sales that is written off is determined by direct write-off of individual accounts that have been outstanding for more than one year. The items are usually final bills that are not paid after the user moves from the District. The amount of bad debts each year is extremely low, averaging less than 1% of total sales per year.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g. Accounts Receivable - Water Districts

The District maintains water facilities at a location that is shared with another water district. Both water districts share in the maintenance expenses of the facilities. The balance shown as a receivable for water districts represents the other entity's share of the maintenance costs incurred by the District due at year-end.

h. Inventory

Inventory includes water purchased in storage and is stated at the original cost using the first-in, first-out (FIFO) method and the consumption method. As of June 30, 2020 and 2019, the District has no water purchased in storage. The Statement of Revenues, Expenses and Changes in Net Position include the purchased water costs of $149,648 and $1,225,301 for the years ended June 30, 2020 and 2019, respectively. An estimate for evaporation has been recorded in the amount of $0 and $35,689 as part of the total purchased water costs as of June 30, 2020 and 2019, respectively.

i. Capital Assets

Capital assets acquired and/or constructed are capitalized at historical cost. The District's policy has set the capitalization threshold for reporting capital assets at the following:

Land	$1
Infrastructure	10,000
All other assets	5,000

Contributed assets are recorded at acquisition value at the date of contribution. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances and any gains or losses are recognized.

Depreciation is recorded on the straight-line basis over the estimated useful lives of the assets as follows:

Santiago Dam	10 - 100 years
Treatment plant	10 - 50 years
Transmission and distribution	10 - 40 years
Vehicles and equipment	3 - 25 years
Buildings and improvements	10 - 30 years
Wells and reservoirs	20 - 100 years

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until that time. The District has the following items that qualify for reporting in this category:

- Deferred outflow related to pensions. This amount is equal to employer contributions made after the measurement date of the net pension liability.
- Deferred outflow related to pensions for differences between expected and actual experiences, changes in assumptions, and changes in proportion and differences between employer contributions and the proportionate share of contributions. These amounts are amortized over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions through the plans.
- Deferred outflow related to OPEB for differences between expected and actual experiences. This amount is amortized over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions through the plans.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The District has the following items that qualify for reporting in this category:

- Deferred inflow related to pensions for differences between expected and actual experiences, changes in assumptions, and changes in proportion and differences between employer contributions and the proportionate share of contributions. These amounts are amortized over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions through the plans.
- Deferred inflow related to pensions resulting from the difference in projected and actual earnings on investments of the pension plans fiduciary net position. This amount is amortized over five years.
- Deferred outflow related to OPEB for changes in assumptions. This amount is amortized over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions through the plans.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k. Compensated Absences

The total amount of accrued sick leave hours and vacation pay hours at the end of each year have been reflected in the Statement of Net Position. To discourage excessive absences from work, the employees (excluding management) are paid for unused sick pay hours in excess of 40 hours. The accrued amounts at June 30, 2020 and 2019 were as follows:

	2020	2019
Vacation pay	$ 82,192	$ 60,437
Sick pay	22,907	19,256
Total	$ 105,099	$ 79,693

l. Net Position

In the Statement of Net Position, net position is classified in the following categories:

- Net investment in capital assets - This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.
- Restricted net position - This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments. As of June 30, 2020, the District had no amounts reported in this category.
- Unrestricted net position - This amount is all net position that does not meet the definition of “net investment in capital assets” or “restricted net position”.

The District’s unrestricted net position contains the following reserves:

	2020	2019
Capital construction reserve	$ 1,233,616	$ 505,799
Emergency and water purchases reserve	1,498,095	1,050,505
Unreserved	1,671,309	1,367,424
Total unrestricted net position	$ 4,403,020	$ 2,923,728

m. Net Position Flow Assumptions

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the Statement of Net Position, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the District’s practice to consider restricted - net position to have been depleted before unrestricted - net position is applied.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

n. Operating Revenues and Expenses

Operating revenues, such as charges for services (water sales) result from exchange transactions associated with the principal activity of the District. Nonoperating revenues, such as interest income and development and other nonoperating revenues, result from nonexchange transactions or ancillary activities in which the District receives value without directly giving equal value in exchange.

Operating expenses include the cost of sales and services, administrative expenses and depreciation on capital assets. All expenses not meeting this definition are reported as nonoperating expenses.

o. Capital Contributions

Capital contributions represent cash and capital asset additions contributed to the District by property owners or real estate developers desiring services that require capital expenditures or capacity commitment. The District had no capital contributions for the fiscal years ended June 30, 2020 and 2019.

p. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

q. Use of Estimates

The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America and, accordingly, include amounts that are based on management's best estimates and judgments. Accordingly, actual results could differ from the estimates.

r. Prior Year Data

Selected information regarding the prior year has been included in the accompanying financial statements. This information has been included for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government's prior year financial statements, from which this selected financial data was derived.

NOTE 2 - CASH AND CASH EQUIVALENTS

Cash and Cash Equivalents

Cash and cash equivalents as of June 30, 2020 and 2019 are reported in the accompanying Statement of Net Position as follows:

	2020	2019
Current Assets:		
Cash and cash equivalents	$ 7,585,322	$ 6,356,369
Certificates of deposit	504,393	-
Total cash and certificates of deposit	$ 8,089,715	$ 6,356,369

Cash and cash equivalents as of June 30, 2020 and 2019 consisted of the following:

	2020	2019
Cash on hand	250	250
Deposits with financial institutions, including certificates of deposit	1,240,599	1,372,196
Cash equivalents	6,848,866	4,983,923
Total cash and cash equivalents	$ 8,089,715	$ 6,356,369

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

Funds in excess of needs for current operating expenses are invested in various short-term money market and investment funds. The primary goals of the District's Investment Policy are to assure compliance with all State and Local laws governing the investment of funds under the control of the organization, protect the principal of investments entrusted, and generate income under the parameters of such policies.

The table below identifies the investment types that are authorized for the 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 credit risk.

This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District's investment policy. The District has no unspent debt proceeds on hand as of the year ended June 30, 2020 and 2019.

NOTE 2 - CASH AND CASH EQUIVALENTS (CONTINUED)

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
United States Treasury Obligations	5 years	None	None
Unites States Government			
Sponsored Obligations	5 years	30%	None
Repurchase Agreements	30 days	10%	None
Commercial Paper	270 days	25%	10%
Money Market Mutual Funds	N/A	20%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Local Agency Investment Fund (LAIF)	N/A	50%	None
Orange County Investment Pool (OCIP)	N/A	50%	None
Passbook Savings	5 years	$2,000,000	None

N/A - Not Applicable

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 market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the District's cash equivalents to market interest rate fluctuations is provided by the following table that shows the distribution of the District's cash equivalents by maturity as of June 30, 2020 and 2019.

June 30, 2020

Cash Equivalent Type	Remaining Maturity (in Months) 12 Months or Less
LAIF	2,498,082
OCIP	3,762,148
Money Market Mutual Funds	588,636
Subtotal	$ 6,848,866

NOTE 2 - CASH AND CASH EQUIVALENTS (CONTINUED)

Disclosures Relating to Interest Rate Risk (Continued)

June 30, 2019

Cash Equivalent Type	Remaining Maturity (in Months) 12 Months or Less
LAIF	2,440,650
OCIP	2,457,800
Money Market Mutual Funds	85,473
Subtotal	$ 4,983,923

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 a rating by a nationally recognized statistical rating organization. Presented in the following table are the minimum rating required by (where applicable) the California Government Code, the District's investment policy, and the actual Standard and Poor's credit rating as of June 30, 2020 and 2019 for each cash equivalent type.

June 30, 2020

Cash Equivalent Type	Minimum Legal Rating	Total	Not Rated	AAA
LAIF	N/A	2,498,082	2,498,082	-
OCIP	N/A	3,762,148	-	3,762,148
Money Market Mutual Funds	N/A	588,636	-	588,636
Subtotal		$ 6,848,866	$ 2,498,082	$ 4,350,784

June 30, 2019

Cash Equivalent Type	Minimum Legal Rating	Total	Not Rated	AAA
LAIF	N/A	2,440,650	2,440,650	-
OCIP	N/A	2,457,800	-	2,457,800
Money Market Mutual Funds	N/A	85,473	-	85,473
Subtotal		$ 4,983,923	$ 2,440,650	$ 2,543,273

NOTE 2 - CASH AND CASH EQUIVALENTS (CONTINUED)

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. Other than external investments pools, the District had no investments that exceeded 5% of the portfolio.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, the District will not be able to recover the value of its investment or collateral securities that are in the possession of another party. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF and OCIP).

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 or investments, 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 market 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 District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2020 and 2019, all of the District's deposits with financial institutions were covered by federal depository insurance limits or were held in collateralized accounts.

District Investments in State Investment Pool and County Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. LAIF is overseen by the Local Agency Investment Advisory Board, which consists of five members, in accordance with State statute. The State Treasurer's Office audits the fund annually. The District is also a voluntary participant in the Orange County Investment Pool (OCIP) that is regulated by California Government Code and the Orange County Board of Supervisors under the oversight of the County of Orange Treasury Oversight Committee. The fair value of the District's investments in these pools is reported in the accompanying financial statements at amounts based upon the District's pro rata share of the fair value provided by LAIF and OCIP for each respective portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF and OCIP, which are recorded on an amortized cost basis.

NOTE 2 - CASH AND CASH EQUIVALENTS (CONTINUED)

Fair Value Measurements

The District categorizes its fair value measurement within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the relative inputs used to measure the fair value of the investments. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The District's investments in LAIF, OCIP, and money market mutual funds are not subject to the fair value measurement hierarchy.

NOTE 3 - ACCOUNTS RECEIVABLE WATER DISTRICTS

The District shares expenses for jointly owned facilities with the Irvine Ranch Water District. Expenses from the maintenance and operation of Santiago Dam and Reservoir are shared, three-fourths by Irvine Ranch Water District and one-fourth by the District. The District pays expenses and then charges three-fourths of the expenses to Irvine Ranch Water District. To cover overhead, administrative and general expenses, 90% of direct labor charges are added to the bill. The amount of $194,279 and $169,332, respectively, was billed to Irvine Ranch Water District for the years ended June 30, 2020 and 2019. The balance due to the District from Irvine Ranch Water District as of June 30, 2020 and 2019 was $50,913 and $31,375, respectively.

NOTE 4 - CAPITAL ASSETS

Changes in capital assets for the year ended June 30, 2020 were as follows:

	Balance June 30, 2019	Additions/ Transfers	Deletions/ Transfers	Balance June 30, 2020
Capital assets, not being depreciated:				
Land	$ 147,790	$ -	$ -	$ 147,790
Construction in progress	-	75,454	(75,454)	-
Total capital assets, not being depreciated	147,790	75,454	(75,454)	147,790
Capital assets, being depreciated:				
Santiago Dam	658,688	-	-	658,688
Treatment plan	10,878,804	44,418	-	10,923,222
Transmission and distribution	4,571,918	79,042	-	4,650,960
Vehicles and equipment	1,370,458	38,855	-	1,409,313
Buildings and improvements	228,306	7,073	-	235,379
Wells and reservoirs	4,483,864	26,808	-	4,510,672
Total capital assets, being depreciated	22,192,038	196,196	-	22,388,234
Less accumulated depreciation for:				
Santiago Dam	(479,340)	(8,086)	-	(487,426)
Treatment plan	(3,292,565)	(225,581)	-	(3,518,146)
Transmission and distribution	(3,281,341)	(77,946)	-	(3,359,287)
Vehicles and equipment	(1,159,517)	(71,922)	-	(1,231,439)
Buildings and improvements	(194,768)	(4,509)	-	(199,277)
Wells and reservoirs	(2,405,558)	(150,084)	-	(2,555,642)
Total accumulated depreciation on capital asset, being depreciated	(10,813,089)	(538,128)	-	(11,351,217)
Total capital assets, being depreciated, net	11,378,949	(341,932)	-	11,037,017
Total capital assets, net	$ 11,526,739	$ (266,478)	$ (75,454)	$ 11,184,807

NOTE 4 - CAPITAL ASSETS (CONTINUED)

Changes in capital assets for the year ended June 30, 2019 were as follows:

	Balance June 30, 2018	Additions/ Transfers	Deletions/ Transfers	Balance June 30, 2019
Capital assets, not being depreciated:				
Land	$ 147,790	$ -	$ -	$ 147,790
Total capital assets, not being depreciated	147,790	-	-	147,790
Capital assets, being depreciated:				
Santiago Dam	529,433	129,255	-	658,688
Treatment plan	10,833,503	45,301	-	10,878,804
Transmission and distribution	4,571,918	-	-	4,571,918
Vehicles and equipment	1,343,638	26,820	-	1,370,458
Buildings and improvements	219,716	8,590	-	228,306
Wells and reservoirs	4,458,413	25,451	-	4,483,864
Total capital assets, being depreciated	21,956,621	235,417	-	22,192,038
Less accumulated depreciation for:				
Santiago Dam	(469,366)	(9,974)	-	(479,340)
Treatment plan	(3,071,581)	(220,984)	-	(3,292,565)
Transmission and distribution	(3,204,957)	(76,384)	-	(3,281,341)
Vehicles and equipment	(1,095,063)	(64,454)	-	(1,159,517)
Buildings and improvements	(191,211)	(3,557)	-	(194,768)
Wells and reservoirs	(2,258,783)	(146,775)	-	(2,405,558)
Total accumulated depreciation on capital asset, being depreciated	(10,290,961)	(522,128)	-	(10,813,089)
Total capital assets, being depreciated, net	11,665,660	(286,711)	-	11,378,949
Total capital assets, net	$ 11,813,450	$ (286,711)	$ -	$ 11,526,739

NOTE 5 - LONG-TERM LIABILITIES

Changes in long-term liabilities for the year ended June 30, 2020 were as follows:

	Balance June 30, 2019	Additions	Reductions	Balance June 30, 2020	Due Within One Year	Due in More Than One Year
Direct Borrowings:						
Orange County Water District						
Note Payable	$ 41,294	$ -	$ (27,290)	$ 14,004	$ 14,004	$ -
Holman Capital						
Installment Sale Agreement	2,505,720	-	(318,337)	2,187,383	330,712	1,856,671
Total	$ 2,547,014	$ -	$ (345,627)	$ 2,201,387	$ 344,716	$ 1,856,671

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

	Balance June 30, 2018	Additions	Reductions	Balance June 30, 2019	Due Within One Year	Due in More Than One Year
Direct Borrowings:						
Orange County Water District						
Note Payable	$ 67,653	$ -	$ (26,359)	$ 41,294	$ 27,290	$ 14,004
Capital One Bank						
Installment Sale Agreement	1,821,131	-	(1,821,131)	-	-	-
Capital One Bank						
Installment Sale Agreement	945,434	-	(945,434)	-	-	-
Bank of America						
Installment Sale Agreement	-	2,660,394	(154,674)	2,505,720	318,337	2,187,383
Total	$ 2,834,218	$ 2,660,394	$ (2,947,598)	$ 2,547,014	$ 345,627	$ 2,201,387

Orange County Water District - Note Payable

In January 1998, the District entered into a note payable agreement with the Orange County Water District for the construction of a well facility. The note bears interest at a rate of 3.5%, and the $14,249 installment is payable semiannually on February 1 and August 1. The note matures in August 2020.

The annual debt service requirements for the outstanding balance at June 30, 2020 are as follows:

Year Ending	Principal	Interest	Total
2021	$ 14,004	$ 245	$ 14,249
	$ 14,004	$ 245	$ 14,249

NOTE 5 - LONG-TERM LIABILITIES (CONTINUED)

Holman Capital Corporation - Installment Sale Agreement

On December 19, 2018, the District entered into an installment purchase agreement with Holman Capital Corporation for $2,660,394 to refinance the existing installment sales agreements with Capital One Bank and Bank of America. The proceeds were utilized to fully repay these installment sale agreements. The installment purchase agreement reduced the District's total debt service payments by $134,351. The loan bears interest at a rate of 3.85% and the $205,887 installment is payable on June 19 and December 19. The loan matures in June 2026.

The installment sale agreement requires the District to fix, prescribe and collect rates and charges for the water service, which will be at least sufficient to yield during each fiscal year net revenues equal to 110% of the debt service for such fiscal year. The District's ratio of net revenues to debt service was 534% for the year ended June 30, 2020. The District pledged all net water revenues to secure this debt until the loan has been repaid in full. For the years ended June 30, 2020 and 2019, net revenues of $2,351,881 and $1,309,053, respectively, were pledged for debt service payments totaling $411,773 ($318,337 of principal and $93,436 of interest) and $205,887 ($154,674 of principal and $51,213 of interest), respectively.

The annual debt service requirements for the outstanding balance at June 30, 2020 are as follows:

Year Ending	Principal	Interest	Total
2021	$ 330,712	$ 81,061	$ 411,773
2022	343,566	68,207	411,773
2023	356,921	54,852	411,773
2024	370,795	40,978	411,773
2025	385,208	26,565	411,773
2026	400,181	11,592	411,773
Total Payments	$ 2,187,383	$ 283,255	$ 2,470,638

NOTE 6 - WATER SALES IN ACRE FEET

During the years ended June 30, 2020 and 2019, 1,412 and 1,337 acre feet of bulk water was sold to the City of Orange for a total sales price of $1,343,485 and $1,240,792, respectively. The accounts receivable - general of $13,421 and $115,851, relates to the sale of water to the City of Orange as of June 30, 2020 and 2019, respectively.

	2020	2019
Water Sales (acre feet):		
Domestic water	2,513	2,542
Bulk sale	1,412	1,337
Irrigation water	6	10
	3,931	3,889

NOTE 7 - IRVINE LAKE/SANTIAGO RESERVOIR OPERATIONS

Irvine Ranch Water District (IRWD) and the District co-manage the daily reservoir operations.

The recreational rights at Irvine Lake are jointly owned by The Irvine Company and the District. The District is the manager of the recreational activities through a non-profit public benefit corporation, SWD Recreation, Inc., which was formed in 1997. During the year ended June 30, 2016, SWD Recreation, Inc. suspended operations due to the termination of this agreement and is still dormant and inactive as of June 30, 2020 and was not utilized in the agreement discussed below.

Beginning in the fiscal year ending June 30, 2020 and through June 30, 2021, the District leased the shoreline fishing recreation rights directly to the County of Orange for the greater of (a) $4,500 per month or (b) 25% of the County's net proceeds obtained from the recreational activities. There are portions of the agreement term where fishing was not allowed due to COVID-19 restrictions. For the fiscal year ended June 30, 2020, the total revenue earned related to this agreement was $46,519, which is included in recreation income in the statement of revenues, expenses, and changes in net position.

NOTE 8 - RISK MANAGEMENT

Description of the Insurance Authority

The District is a member of the Association of California Water Agencies Joint Powers Insurance Authority (Insurance Authority). The Insurance Authority is a risk-pooling self-insurance authority, created under provisions of California Government Code Sections 6500 et. seq. The purpose of the Insurance Authority is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage.

Self-Insurance Programs of the Insurance Authority

At June 30, 2020 and 2019, the District participated in the self-insurance programs of the Insurance Authority as follows:

Property Loss - Insured up to replacement value with deductibles ranging from $1,000 to $10,000 per occurrence depending on the type of equipment. The Insurance Authority is self-insured up to $100,000 per occurrence and has purchased excess insurance coverage up to $500 million limited to insurable value of $13,273,068.

General, Auto, and Public Officials Liability - Total risk financing self-insurance limits of $5 million, combined single limit at $55 million per occurrence. The Authority purchases additional excess coverage for layers: $55 million for general, auto, and public officials' liability, except for terrorism, subsidence, lead and mold, with have limits of $5 million, $30 million, $30 million and $35 million, respectively. These increase the limits on the insurance coverage noted above.

Public Official Bond - $100,000 total insurance.

Crime - $100,000 total insurance subject to a $1,000 deductible.

NOTE 8 - RISK MANAGEMENT (CONTINUED)

Self-Insurance Programs of the Insurance Authority (Continued)

Boiler and Machinery - Coverage for the replacement cost up to $100 million per occurrence limited to insurable value, subject to a $25,000 deductible per occurrence with the exception of turbine units and associated equipment for which the deductible is $50,000.

Workers' Compensation - Compensation insurance up to California statutory limits for all work-related injuries/illnesses covered by California law. The Insurance Authority is self-insured to $4 million and has purchased excess insurance to the statutory limit.

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years and there were no reductions in the District's insurance coverage during the years ended 2020, 2019, and 2018. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no claims payable as of June 30, 2020 and 2019.

NOTE 9 - PENSION PLANS

a. General Information about the Pension Plans

Plan Descriptions

All qualified permanent and probationary employees are eligible to participate in the District's Miscellaneous Plans, cost-sharing defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 to 62 with statutorily reduced benefits. All members are eligible for non-industrial disability benefits after five (5) years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

NOTE 9 - PENSION PLANS (CONTINUED)

Benefits Provided (Continued)

The Plans' provisions and benefits in effect at the measurement date ended June 30, 2019, are summarized as follows:

	Miscellaneous	
Hire date	Prior to January 1, 2013	On or After January 1, 2013
Benefit formula	2%@60	2%@62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 62	52 - 67
Monthly benefits, as a % of eligible compensation	1.092% to 2.418%	1.0% to 2.5%
Required employee contribution rates	7%	6.25%
Required employer contribution rates:		
Normal cost rate	8.099%	6.842%
Payment of unfunded liability	$ 67,205	$ 189
Prepayment	$ 1,000,000	$ -

a. General Information about the Pension Plans (Continued)

Contributions

Section 20814(c) of the California Public Employees' Retirement Law 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 CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. District contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contributions requirements are classified as plan member contributions.

NOTE 9 - PENSION PLANS (CONTINUED)

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

As of June 30, 2020, the District reported net pension liabilities for its proportionate share of the net pension liability of all Plans as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous	$ 449,437

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2019, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 using standard update procedures. The District's proportionate share of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

The District's proportionate share of the net pension liability for each Plan as of the measurement date ended June 30, 2018 and 2019 was as follows:

	Miscellaneous
Proportion - June 30, 2018	0.03571%
Proportion - June 30, 2019	0.01122%
Change - Increase (Decrease)	-0.02449%

NOTE 9 - PENSION PLANS (CONTINUED)

b. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

For the year ended June 30, 2020, the District recognized pension expense of $283,956. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 90,838	$ -
Differences between actual and expected experience	31,216	(2,419)
Changes in assumptions	21,431	(7,597)
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	27,728	(37,917)
Net differences between projected and actual earnings on plan investments	-	(7,858)
Total	$ 171,213	$ (55,791)

$90,838 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30,	Amount
2021	$ 10,879
2022	474
2023	11,644
2024	1,587
2025	-
Thereafter	-

NOTE 9 - PENSION PLANS (CONTINUED)

b. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

Actuarial Assumptions

The total pension liability for the June 30, 2019 measurement period was determined by an actuarial valuation as of June 30, 2018, with update procedures used to roll forward the total pension liability to June 30, 2019. The total pension liability was based on the following assumptions:

	Miscellaneous
Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Projected Salary Increase	(1)
Mortality	(2)
Post Retirement Benefit Increase	(3)

(1) Depending on age, service and type of employment

(2) The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates includes 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from December 2017 that can be found on the CalPERS website.

(3) The less of contract COLA or 2.50% until Purchasing Power Protection Allowance Floor on purchasing power applies, 2.50% thereafter.

Long-term Expected Rate of Return

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

NOTE 9 - PENSION PLANS (CONTINUED)

b. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

Long-term Expected Rate of Return (Continued)

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The expected real rates of return by asset class are as follows:

Asset Class (a)	Assumed Asset Allocation	Real Return Years 1 - 10 (b)	Real Return Years 11+ (c)
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Assets	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
Total	100.00%		

(a) In the CalPERS CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities
(b) An expected inflation of 2.0% used for this period
(c) An expected inflation of 2.92% used for this period

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 9 - PENSION PLANS (CONTINUED)

b. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

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

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

	Miscellaneous
1% Decrease	6.15%
Net Pension Liability	$ 1,408,300
Current Discount Rate	7.15%
Net Pension Liability	$ 449,437
1% Increase	8.15%
Net Pension Liability (Asset)	$ (342,037)

Pension Plan Fiduciary Net Position

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

c. Payable to the Pension Plan

At June 30, 2020, the District had no outstanding amount of contributions to the pension plan required for the year ended June 30, 2020.

NOTE 10 - DEFERRED COMPENSATION PLAN

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all full-time employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The assets in the plan are held in trust for the exclusive benefit of the participants and their beneficiaries and are, therefore, not reported in the financial statements of the District.

NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN

Plan Description

The District, through a single employer defined benefit plan, provides post-employment health care benefits. Specifically, the District provides health (medical, dental and vision) insurance for its retired employees and directors, their dependent spouses (if married and covered on the District's plan at the time of retirement), or survivors in accordance with Board resolutions. Coverage is provided for eligible retired employees who have a minimum of 20 years of service with the District and directors who have a minimum of 12 years of service with the District. The District pays 100% of the premium for the retiree and spouse. This plan was closed to new entrants as of January 1, 2008. The plan does not provide a publicly available financial report.

The District participates in the Association of California Water Agencies (ACWA) health program for its medical coverage. In general, the plans provided through ACWA are based on the experience or risk profile of the entire group of employers within a region. The following table summarizes the monthly funding rates for health coverages that are primarily applicable to current retired employees. For pre-65 medical coverage, the retiree premiums are the same as the active premiums. All premiums are monthly and are effective for the calendar year.

2019	Blue Cross PPO	Blue Cross HMO
Employee only	$ 895	$ 790
Employee plus one	1,825	1,570
Medicare employee only	571	555
Medicare employee and spouse	1,160	1,099

2020	Blue Cross PPO	Blue Cross HMO
Employee only	$ 896	$ 860
Employee plus one	1,793	1,719
Medicare employee only	571	604
Medicare employee and spouse	1,143	1,207

2019	Delta Dental
Employee only	$ 46
Employee plus one	94

2020	Delta Dental
Employee only	$ 46
Employee plus one	94

The contribution requirements of plan members and the District are established and may be amended by the District, District's Board of Directors, and/or the employee associations. Currently, contributions are not required from plan members. The District has not established a trust to fund future OPEB benefits and funds the plan on a pay-as-you-go basis.

NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

Employees Covered

As of the June 30, 2020 measurement date, the following current and former employees were covered by the benefit terms under the plan:

Inactive employees or beneficiaries currently receiving benefits	7
Active employees	4
	11

Total OPEB Liability

The District's total OPEB liability of $3,669,122 was measured as of June 30, 2020, and was determined by an actuarial valuation as of June 30, 2020.

Actuarial Assumptions and Other Inputs

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

Valuation Date	June 30, 2020
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry age normal
Actuarial Assumptions:	
Discount Rate	2.20%
Inflation	2.75%
Payroll Increases	2.75%
Health Care Trend	4.00%
Mortality Factors	According to the pre-retirement mortality rates under the most recent CalPERS pension plan valuation (2017).
Retirement Rates	According to the retirement rates under the most recent CalPERS pension plan valuation (2017). According to the following retirement tables: Miscellaneous Tier 1: 2.0% @ 60

The discount rate utilized is based on whether the plan assets are projected to be sufficient to make future payments. Since there are no plan assets held in trust, the discount rate was based on a high-quality 20-year tax-exempt general obligation municipal bond yield or index rate. "High-quality" is defined as being rated AA or higher (or an equivalent rating). The municipal bond rate utilized was 2.20% and was determined using the Bond Buyer 20 Bond Index as of June 30, 2020.

NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

Changes in Actuarial Assumptions

The discount rate decreased from 3.15% for the measurement period ended June 30, 2019 to 2.20% for the measurement period ended June 30, 2020. The healthcare trend rate was changed from 6.50% decreasing to 5.00% by 0.50% per year for the measurement period ended June 30, 2019 to 4.0% for the measurement period ended June 30, 2020. The mortality and retirement rates were updated from the 2014 CalPERS pension plan valuation used for the measurement period ended June 30, 2019 to the 2017 CalPERS pension plan valuation used for the measurement period ended June 30, 2020.

Changes in Total OPEB Liability

The change in total OPEB liability are as follows:

	Increase (Decrease) Total OPEB Liability
Balance at June 30, 2019 (Measurement Date)	$ 3,380,880
Changes in the Year:	
Service cost	30,235
Interest on the total OPEB liability	104,792
Differences between actual and expected experience	357,715
Changes in assumptions	(79,882)
Benefit payments	(124,618)
Net Changes	288,242
Balance at June 30, 2020 (Measurement Date)	$ 3,669,122

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

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

	1% Decrease (1.20%)	Discount Rate (2.20%)	1% Increase (3.20%)
Total OPEB Liability	$ 4,243,477	$ 3,669,122	$ 3,201,098

NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

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

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

	1% Decrease (3.0%)	Current Healthcare Cost Trend Rates (4.0%)	1% Increase (5.0%)
Total OPEB Liability	$ 3,147,679	$ 3,669,122	$ 4,320,794

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

For the year ended June 30, 2020, the District recognized OPEB expense of $267,328. At June 30, 2020, the District reported deferred outflows of resources or deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	$ 187,374	$ -
Changes in assumptions	-	(41,842)
Total	$ 187,374	$ (41,842)

The differences between actual and expected experience and changes in assumptions are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with OPEB benefits through the plan, which is 2.1 years as of June 30, 2020. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	Amount
2021	$ 132,301
2022	13,231
2023	-
2024	-
2025	-
Thereafter	-

NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

Payable to the OPEB Plan

At June 30, 2020, the District had no outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2020.

NOTE 12 - CONTINGENCIES

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of an outbreak of a new strain of coronavirus (the "COVID-19 outbreak") and the risks that is posed to the international community as the virus spread globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the District's financial condition, liquidity, and future results of operations. Management is actively monitoring the impact of the global situation on the District's financial condition, liquidity, operations and workforce. The District cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time; however, if the pandemic continues, it may have a material effect on the District's results of future operations and financial position in fiscal year 2021.

NOTE 13 - SUBSEQUENT EVENTS

Events occurring after June 30, 2020, have been evaluated for possible adjustments to the financial statements or disclosure as of October 6, 2020, which is the date these financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

SERRANO WATER DISTRICT

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
CalPERS PENSION PLANS

Last Ten Fiscal Years*

	Miscellaneous
Fiscal year ended	June 30, 2020
Measurement period	June 30, 2019
Plan's proportion of the net pension liability	0.00439%
Plan's proportionate share of the net pension liability	$ 449,437
Plan's covered payroll	$ 777,175
Plan's proportionate share of the net pension liability as a percentage of covered payroll	57.83%
Plan's proportionate share of the fiduciary net position as a percentage of the Plan's total pension liability	75.26%
Plan's proportionate share of aggregate employer contributions	$ 276,772

Notes to Schedule:

Benefit Changes:
There were no changes in benefits.

Changes in Assumptions:
From fiscal year June 30, 2015 to June 30, 2016:
GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.
From fiscal year June 30, 2016 to June 30, 2017:
There were no changes in assumptions.
From fiscal year June 30, 2017 to June 30, 2018:
The discount rate was reduced from 7.65% to 7.15%.
From fiscal year June 30, 2018 to June 30, 2019:
There were no significant changes in assumptions.
From fiscal year June 30, 2019 to June 30, 2020:
There were no changes in assumptions.

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

SERRANO WATER DISTRICT

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
CalPERS PENSION PLANS (CONTINUED)

Last Ten Fiscal Years*

	Miscellaneous				
Fiscal year ended	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Measurement period	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Plan's proportion of the net pension liability	0.03571%	0.03494%	0.03322%	0.03902%	0.03689%
Plan's proportionate share of the net pension liability	$ 1,345,857	$ 1,377,276	$ 1,154,013	$ 801,069	$ 911,608
Plan's covered payroll	$ 755,529	$ 694,392	$ 719,781	$ 681,864	$ 706,402
Plan's proportionate share of the net pension liability as a percentage of covered payroll	178.13%	198.34%	160.33%	117.48%	129.05%
Plan's proportionate share of the fiduciary net position as a percentage of the Plan's total pension liability	75.26%	77.91%	79.61%	84.95%	83.03%
Plan's proportionate share of aggregate employer contributions	$ 204,938	$ 183,747	$ 167,838	$ 156,392	$ 119,053

Notes to Schedule:

Benefit Changes:
There were no changes in benefits.

Changes in Assumptions:
From fiscal year June 30, 2015 to June 30, 2016:
GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.
From fiscal year June 30, 2016 to June 30, 2017:
There were no changes in assumptions.
From fiscal year June 30, 2017 to June 30, 2018:
The discount rate was reduced from 7.65% to 7.15%.
From fiscal year June 30, 2018 to June 30, 2019:
There were no significant changes in assumptions.
From fiscal year June 30, 2019 to June 30, 2020:
There were no changes in assumptions.

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

SERRANO WATER DISTRICT

SCHEDULE OF CONTRIBUTIONS
CalPERS PENSION PLANS

Last Ten Fiscal Years*

	Miscellaneous
Fiscal year ended	June 30, 2020
Contractually required contribution (actuarially determined)	$ 90,838
Contributions in relation to the actuarially determined contributions	(90,838)
Contribution deficiency (excess)	$ -
Covered payroll	$ 828,706
Contributions as a percentage of covered payroll	10.96%

Notes to Schedule:

Valuation Date	6/30/2017
Methods and Assumptions Used to Determine Contribution Rates	
Actuarial cost method	Entry age
Amortization method	(1)
Asset valuation method	Market Value
Inflation	2.625%
Salary increases	(2)
Investment rate of return	7.25% (3)
Retirement age	(4)
Mortality	(5)

(1) Level percentage of payroll, closed
(2) Depending on age, service, and type of employment
(3) Net of pension plan investment expense, including inflation
(4) 50 for all plans with the exception of 52 for Miscellaneous PEPRA 2%@62
(5) Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.

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

SERRANO WATER DISTRICT

SCHEDULE OF CONTRIBUTIONS
CalPERS PENSION PLANS (CONTINUED)

Last Ten Fiscal Years*

	Miscellaneous				
Fiscal year ended	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually required contribution (actuarially determined)	$ 1,127,160	$ 104,947	$ 88,065	$ 78,051	$ 55,748
Contributions in relation to the actuarially determined contributions	(127,160)	(104,947)	(88,065)	(78,051)	(55,748)
Contribution deficiency (excess)	$ 1,000,000	$ -	$ -	$ -	$ -
Covered payroll	$ 777,175	$ 755,529	$ 694,392	$ 719,781	$ 681,864
Contributions as a percentage of covered payroll	16.36%	13.89%	12.68%	10.84%	8.18%

Notes to Schedule:

Valuation Date	6/30/2016	6/30/2015	6/30/2014	6/30/2013	6/30/2012
Methods and Assumptions Used to Determine Contribution Rates					
Actuarial cost method	Entry age	Entry age	Entry age	Entry age	Entry age
Amortization method	(1)	(1)	(1)	(1)	(1)
Asset valuation method	Market Value	Market Value	Market Value	Market Value	15 Year Smoothed Market Method
Inflation	2.75%	2.75%	2.75%	2.75%	2.75%
Salary increases	(2)	(2)	(2)	(2)	(2)
Investment rate of return	7.375% (3)	7.50% (3)	7.50% (3)	7.50% (3)	7.50% (3)
Retirement age	(4)	(4)	(4)	(4)	(4)
Mortality	(5)	(5)	(5)	(5)	(5)

(1) Level percentage of payroll, closed
(2) Depending on age, service, and type of employment
(3) Net of pension plan investment expense, including inflation
(4) 50 for all plans with the exception of 52 for Miscellaneous PEPRA 2%@62
(5) Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.

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

SERRANO WATER DISTRICT

SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS

Last Ten Fiscal Years*

Fiscal year end		6/30/2020		6/30/2019		6/30/2018
Measurement date		6/30/2020		6/30/2019		6/30/2018
Total Pension Liability:						
Service cost	$	30,235	$	29,354	$	29,231
Interest		104,792		111,919		110,405
Changes of assumptions		(49,882)		147,251		(41,934)
Differences between expected and actual experience		357,715		-		-
Benefit payments, including refunds of employee contributions		(124,618)		(151,971)		(142,696)
Net Change in Total OPEB Liability		318,242		136,553		(44,994)
Total OPEB Liability - Beginning of Year		3,380,880		3,244,327		3,289,321
Total OPEB Liability - End of Year (a)		3,699,122		3,380,880		3,244,327
Plan fiduciary net position as a percentage of the total OPEB liability		0.00%		0.00%		0.00%
Covered payroll	$	301,853	$	128,743	$	116,377
Net OPEB liability as percentage of covered payroll		1225.47%		2626.07%		2787.77%

Notes to Schedule:

Benefit Changes:
There were no changes in benefits.

Changes in Assumptions:
From 6/30/2018 to 6/30/2019:
The discount rate utilized for June 30, 2018 was 3.50% as compared to 3.15% utilized for June 30, 2019.
From 6/30/2019 to 6/30/2020:
The discount rate utilized for June 30, 2019 was 3.15% as compared to 2.20% utilized for June 30, 2020.
The healthcare trend rate was changed from 6.5% decreasing to 5.0% by 0.5% per year for June 30, 2018 and 2019 to 4.0% for June 30, 2020. Also, mortality and retirement rates were updated from the 2014 CalPERS pension plan valuation used in June 30, 2018 and June 30, 2019 to the 2017 CalPERS pension plan valuation used in June 30, 2020.

* Fiscal year 2018 was the first year of implementation; therefore, only three years are shown.