



**STINSON BEACH COUNTY WATER DISTRICT**

**BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2020**

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**STINSON BEACH COUNTY WATER DISTRICT**  
**BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2020**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Stinson Beach County Water District

We have audited the accompanying financial statements of the business-type activities of each major fund of Stinson Beach County Water 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 opinions 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. 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 auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of each major fund of Stinson Beach County Water District, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis pages 3 – 8, Schedule of the District's Proportionate Share of the Net Pension Liability on page 38, Schedule of the District's Pension Plan Contributions on page 39, Schedule of Changes in the Net OPEB Liability and Related Ratios on page 40, and Schedule of OPEB Contributions on page 41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

  
CROPPER ACCOUNTANCY CORPORATION

Walnut Creek, California  
January 15, 2021

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Stinson Beach County Water District's annual financial report presents a discussion and analysis of the District's financial performance during the year that ended on June 30, 2020.

### FINANCIAL HIGHLIGHTS

- For the fiscal year ended June 30, 2020, the District continues with the provisions of GASB Statement No. 68 and Statement No. 75. This resulted in deferred inflows of \$311,402 and deferred outflows of \$527,629. The net position of the District's business-type activities increased in fiscal 2020 by \$145,910 compared to the net position of the District at June 30, 2019.
- Total operating expenses for 2020 increased by about \$261,760.
- The District's operating revenue from business-type activities in 2020 decreased by a net \$99,857 compared to 2019, as a result of lower water usage, additional water quality testing, and no new water connection fees.
- The District in 2020 decreased its capital assets by a net \$146,868 (after depreciation) as a result of additions from construction of coating and repairing its Laurel Water Tank.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – *management's discussion and analysis* (this section), *the basic financial statements*, and *required supplementary information*. The basic financial statements include one kind of statements that present both a short-term and long-term view of the District.

- *Proprietary* enterprise fund-type statements offer *short-* and *long-term* financial information about the activities that the District operates *like businesses*, such as the District's water treatment and distribution system and wastewater septic permitting and monitoring programs.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that provides more data about the District's pension plan.

Figure A-1 summarizes the major features of the District's financial statements, including the portion of the District they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**FIGURE A-1 Major Financial Statement Features**

	<b>Basic Financial Statements</b>
Scope	Activities the District operates similar to private businesses; the water and wastewater systems
Required financial statements	Statement of net position Statement of revenues, expenses, and changes in net position . Statement of cash flows.
Accounting basis and measurement focus	Accrual accounting and economic measurement focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term focus
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received

### **Basic Financial Statements**

The basic financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes *all* the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of revenues, expenses, and changes in net assets regardless of when cash is received or paid.

The basic financial statements report the District's *net position* and how it has changed. Net position – the difference between the District's assets and liabilities – is one way to measure the District's financial health, or *position*.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.

The basic financial statements of the District consist of one category:

- *Business-type activities* – The District charges fees to help it cover the costs of certain services it provides. All of the District's operations are accounted for in this category. *The District uses proprietary enterprise fund type accounting principles to account for all operations.* Proprietary accounting provides both long-and short-term financial information.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

**Net Position.** The District's *combined* net position increased by \$145,910 between years 2019 and 2020. (See Table A-1.)

**TABLE A-1 NET POSITION OF THE DISTRICT (In Rounded Dollars)**

	Business-Type Activities		Increase (decrease)	
	June 30		Amount	%
	2020	2019		
Current and other assets	\$1,221,535	\$991,484	\$230,051	23.2%
Capital assets	7,525,764	7,672,632	(146,868)	(1.9%)
Deferred outflows of resources	527,629	592,691	(65,062)	11%
Total assets and deferred outflows of resources	9,274,928	9,256,807	18,121	0.002%
Current and other liabilities	473,398	467,381	6,017	1.3%
Long-term debt outstanding	1,045,292	1,196,502	(151,210)	(12.6%)
Accrued pension liability	1,573,260	1,499,545	73,715	4.9%
Deferred inflows of resources	311,402	367,713	(56,311)	(15.3%)
Total liabilities and deferred inflows of resources	3,403,352	3,531,141	(127,789)	(3.6%)
Net position (Note 5):	6,329,262	6,308,469		
Net investment in capital assets	6,329,262	6,308,469	83,793	1.3%
Restricted	31,453	31,771	(318)	
Unrestricted	(489,139)	(614,575)	(125,436)	(20.4%)
Total net position	<u>\$5,871,576</u>	<u>\$5,725,666</u>	<u>145,910</u>	<u>2.5%</u>

Net position of the District in 2020 increased about 2.5% compared to the 2019 fiscal year for a total of about \$5,871,576.

The 1.9% decrease in capital assets in 2020 results primarily from repairs to the Laurel Water Tank.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

**Changes in net position.** The District's total revenues in fiscal year 2020 increased an overall \$228,066 due mainly to investment and other revenues and property tax revenue.

About 40 percent of the District's revenue comes from charges for services in the form of the sale of water and wastewater permitting and monitoring fees. The remaining 60 percent comes primarily from property taxes and from interest.

The total cost of all programs and services in fiscal 2020 increased to about \$2.3 million, a \$261,760 increase compared to a \$161,356 decrease in 2019.

**TABLE A-2 District's Revenues, Expenses and Changes in Net Position (In Rounded Dollars)**

	Business-Type Activities June 30		Increase (decrease)	
	2020	2019	Amount	%
<b>Revenue</b>				
<b>Program Revenues:</b>				
Charges for services	\$994,713	\$1,077,626	(82,913)	7.6%
Investment and other revenue	186,099	18,907	167,192	884.3%
General revenues - property taxes	1,302,096	1,158,309	143,787	12.4%
Grant revenues	-	-		
<b>Total revenues</b>	<b>2,482,908</b>	<b>2,254,842</b>	<b>228,066</b>	<b>10.1%</b>
<b>Expenses:</b>				
Salaries and benefits	1,490,830	1,160,754	330,076	28.4%
Board officer costs	14,000	13,200	800	6.1%
Professional services	264,377	261,747	2,630	1.0%
Other operating expenses	284,893	294,432	(9,539)	-3.2%
Depreciation	337,962	312,743	25,219	8.1%
Interest on long-term debt	43,125	49,387	(6,262)	-12.7%
(Gain) Loss on disposal of assets		-		
Pension expense (revenue)	(112,522)	(17,025)	(95,497)	560.9%
Other nonoperating expenses	14,333	-	14,333	100.0%
<b>Total expenses</b>	<b>2,336,998</b>	<b>2,075,238</b>	<b>261,760</b>	<b>12.6%</b>
<b>Change in net position</b>				
before capital contributions	145,910	179,604	(33,694)	-18.8%
Capital connections	-	35,000	(35,000)	-100%
<b>Change in net position</b>	<b>145,910</b>	<b>214,604</b>	<b>(68,694)</b>	<b>-32.0%</b>
<b>Net position, beginning</b>	<b>5,725,666</b>	<b>5,511,062</b>	<b>214,064</b>	<b>3.9%</b>
Prior period adjustment	-			
<b>Net position, ending</b>	<b>\$5,871,576</b>	<b>\$5,725,666</b>	<b>145,910</b>	<b>2.5%</b>

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Table A-2 presents the cost of each of the District's largest functions, from an expense perspective—operating expenses, and depreciation on capital assets.

- The cost of all *District functional categories in 2019* was about \$2.3 million, about \$261,760 more than what was reported in the 2019 year.

Increases came about due to the reporting of the pension liability.

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

At the end of 2020, the District had invested \$7,525,764 (net of accumulated depreciation) in a broad range of capital assets, including land, treatment plant, distribution lines, pumping stations, improvements, vehicles, and small equipment. (See Table A-3.) This amount represents a net decrease (including additions and deductions) of about \$146,868 (1.9%).

**TABLE A-3 District Net Investment in Capital Assets (In Rounded Dollars)**

	Capital Assets		Increase (decrease)	
	June 30		Amount	%
	2020	2019		
Land and construction in progress	\$207,940	\$744,380	(\$536,440)	-72.1%
Building and structures	2,651,526	2,651,526	0	0.0%
Pipelines and improvements	5,150,138	5,129,655	20,483	0.4%
Tanks	2,986,650	2,291,940	694,710	30.3%
Hydrants and valves	153,836	149,400	4,436	3.0%
Equipment and vehicles	555,050	547,146	7,904	1.4%
Accumulated depreciation	<u>(4,179,377)</u>	<u>(3,841,415)</u>	<u>337,962</u>	<u>8.8%</u>
Total	<u><u>\$7,525,764</u></u>	<u><u>\$7,672,632</u></u>	<u><u>146,868</u></u>	<u><u>1.9%</u></u>

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

**This year's major capital assets additions included:**

- Coating and repairing of the Highlands Water Tank #2 and the Laurel Water Tank.

### **Long-Term Debt**

The District has about \$2.62 million in long-term obligations outstanding. About \$1.0 million relates to the 2013 Water Revenue Bonds which refunded the installment agreements borrowed to make capital improvements. Another \$1.6 million relates to the new pension obligation. All debt service required payments were made when and as due in fiscal 2020. Additional information about the District's long-term obligations can be found in the notes to the financial statements.

### **ECONOMIC FACTORS AND NEXT YEAR'S OPERATING PLAN AND RATES**

- Operating expenses in 2021 are expected to increase by about \$300,000. Most of the expected increase is the capital purchase of infrastructure for the replacement of the Ranch Water Tank.
- The District expects to continue performing defensible space for increased fire safety.
- The District is not presently considering a water or wastewater increase during Fiscal Year 2021. Property values continue to increase.

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, customers, and investors 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 General Manager, Stinson Beach County Water District, at 3785 Shoreline Highway, Stinson Beach, California, 94970.



# **FINANCIAL STATEMENTS**

**STINSON BEACH COUNTY WATER DISTRICT**  
**Statements of Net Position**  
**June 30, 2020**

	Water	Wastewater	Total
<b>Assets</b>			
Current assets:			
Cash (Note 2)	\$ 78,530	\$ 33,656	\$ 112,186
Receivables	85,904	31,595	117,499
Inventory	33,392	-	33,392
Prepayments	15,599	1,973	17,572
Total	213,425	67,224	280,649
Restricted cash and investments (Note 2):			
Debt service	31,453	-	31,453
Total restricted cash and investments	31,453	-	31,453
Designated cash and investments (Note 2):			
Construction in progress	508,839	-	508,839
Emergency fund reserves	400,594	-	400,594
Total designated cash and investments	909,433	-	909,433
Total current assets	1,154,311	67,224	1,221,535
Noncurrent assets:			
Advances to (from) other funds	(383,623)	383,623	-
Capital assets (Note 3):			
Construction in progress	158,700	-	158,700
Land	49,240	-	49,240
Buildings	2,651,526	-	2,651,526
Distribution system	8,557,809	-	8,557,809
Vehicles	287,866	-	287,866
Less accumulated depreciation	(4,179,377)	-	(4,179,377)
Total capital assets, net	7,525,764	-	7,525,764
Total noncurrent assets	7,142,141	383,623	7,525,764
Total Assets	8,296,452	450,847	8,747,299
<b>Deferred outflows of resources</b>			
Pension (Note 6)	481,565	-	481,565
Other post employment benefits	46,064	-	46,064
Total deferred outflows of resources	527,629	-	527,629
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 8,824,081</b>	<b>\$ 450,847</b>	<b>\$ 9,274,928</b>

**STINSON BEACH COUNTY WATER DISTRICT**  
**Statements of Net Position**  
**June 30, 2020**

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	\$ 28,369	\$ 11,001	\$ 39,370
Compensated absences (Note 1.E.)	90,880	55,128	146,008
Deposits payable	948	17,482	18,430
Bonds, agreements and leases payable (Note 4)	<u>269,590</u>	<u>-</u>	<u>269,590</u>
Total current liabilities	<u>389,787</u>	<u>83,611</u>	<u>473,398</u>
Noncurrent liabilities:			
Bonds, agreements and leases payable (Note 4)	926,912	-	926,912
Net other post employment benefit obligation (Note 7.C.)	118,380	-	118,380
Accrued pension liability (Note 6)	<u>1,573,260</u>	<u>-</u>	<u>1,573,260</u>
Total noncurrent liabilities	<u>2,618,552</u>	<u>-</u>	<u>2,618,552</u>
Total Liabilities	<u>3,008,339</u>	<u>83,611</u>	<u>3,091,950</u>
<b>Deferred inflows of resources</b>			
Pension (Note 6)	118,544	-	118,544
Other post employment benefits	<u>192,858</u>	<u>-</u>	<u>192,858</u>
Total deferred inflows of resources	<u>311,402</u>	<u>-</u>	<u>311,402</u>
Total Liabilities and Deferred Inflows of Resources	<u>3,319,741</u>	<u>83,611</u>	<u>3,403,352</u>
<b>Net position (Note 5):</b>			
Net investment in capital assets	6,329,262	-	6,329,262
Restricted for debt service	31,453	-	31,453
Unrestricted	<u>(856,375)</u>	<u>367,236</u>	<u>(489,139)</u>
Total net position (deficit)	<u>5,504,340</u>	<u>367,236</u>	<u>5,871,576</u>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position (deficit)</b>	<u>\$ 8,824,081</u>	<u>\$ 450,847</u>	<u>\$ 9,274,928</u>

**STINSON BEACH COUNTY WATER DISTRICT**  
**Statements of Revenues, Expenses, and Changes in Net Position**  
**For the Year Ended June 30, 2020**

Operating revenue:	Water	Wastewater	Total
Sale of water	\$ 379,982	\$ -	\$ 379,982
Water usage charge	277,075		277,075
Wastewater fees	-	337,656	337,656
Other operating revenues	73,097	101,138	174,235
<b>Total operating revenue</b>	<b>730,154</b>	<b>438,794</b>	<b>1,168,948</b>
<b>Operating expense:</b>			
Salaries and wages	592,147	290,061	882,208
Employee benefits	476,134	132,488	608,622
Board officers' costs	6,700	7,300	14,000
Professional services	121,525	142,852	264,377
Insurance	18,648	9,428	28,076
Miscellaneous outside services	58,605	14,383	72,988
Utilities	53,171	23,306	76,477
Office operations	61,476	15,734	77,210
Equipment maintenance and supplies	21,128	1,392	22,520
Depreciation (Note 3.B.)	337,962	-	337,962
<b>Total operating expense</b>	<b>1,747,496</b>	<b>636,944</b>	<b>2,384,440</b>
<b>Net Operating Income (loss)</b>	<b>(1,017,342)</b>	<b>(198,150)</b>	<b>(1,215,492)</b>
<b>Nonoperating revenue (expense):</b>			
Property taxes	1,000,668	301,428	1,302,096
Property tax collection fee	(21,955)	-	(21,955)
Interest expense	(43,125)	-	(43,125)
Pension revenue (expense)	112,522	-	112,522
Interest and investment revenue	11,864	-	11,864
<b>Net non-operating revenue</b>	<b>1,059,974</b>	<b>301,428</b>	<b>1,361,402</b>
<b>Income (loss) before capital contributions</b>	<b>42,632</b>	<b>103,278</b>	<b>145,910</b>
Capital connection fees	-	-	-
<b>Change in net position</b>	<b>42,632</b>	<b>103,278</b>	<b>145,910</b>
Net position (deficit) - beginning	5,461,708	263,958	5,725,666
<b>Net position (deficit) - ending</b>	<b>\$ 5,504,340</b>	<b>\$ 367,236</b>	<b>\$ 5,871,576</b>

**STINSON BEACH COUNTY WATER DISTRICT**  
**Statements of Cash Flows**  
**For the Year Ended June 30, 2020**

	Water	Wastewater	Total
<b>Cash flows from operating activities:</b>			
Cash received from customers	\$ 648,841	\$ 344,074	\$ 992,915
Cash payments to suppliers	(333,025)	(207,436)	(540,461)
Payments to employees for services	(886,013)	(417,970)	(1,303,983)
Other operating receipts	73,097	101,138	174,235
Net cash used for operating activities	<u>(497,100)</u>	<u>(180,194)</u>	<u>(677,294)</u>
<b>Cash flows from noncapital financing activities:</b>			
Decrease in amounts due to other funds	(28,748)	28,748	-
Tax receipts	978,713	301,428	1,280,141
Net cash provided by financing activities	<u>949,965</u>	<u>330,176</u>	<u>1,280,141</u>
<b>Capital and related financing activities:</b>			
Principal retirement on long-term debt	(167,661)	-	(167,661)
Capital connections	-	-	-
Interest paid on long-term debt	(43,125)	-	(43,125)
Purchase of capital assets	(527,192)	-	(527,192)
Net cash provided by (used in) capital and related financing activities	<u>(737,978)</u>	<u>-</u>	<u>(737,978)</u>
<b>Cash flows from investing activities:</b>			
Grant revenue	47,120	-	47,120
Interest received on investments	21,905	-	21,905
Net cash provided by investing activities	<u>69,025</u>	<u>-</u>	<u>69,025</u>
Net increase (decrease) in cash and cash equivalents	(216,088)	149,982	(66,106)
<b>Cash and cash equivalents:</b>			
Beginning of year	294,618	(116,326)	178,292
End of year	<u>\$ 78,530</u>	<u>\$ 33,656</u>	<u>\$ 112,186</u>
<b>Reconciliation of net operating (loss) income to net cash provided by operating activities:</b>			
Net operating income (loss)	\$ (1,017,342)	\$ (198,150)	\$ (1,215,492)
<b>Adjustments to reconcile net operating income to net cash provided by operating activities:</b>			
Depreciation	337,962	-	337,962
<b>Changes in assets/liabilities:</b>			
Restricted cash	318	-	318
Accounts receivable	(8,534)	(11,064)	(19,598)
Inventory	2,684	-	2,684
Prepayments	(614)	(10)	(624)
Accounts payable	11,735	(331)	11,404
Accrued expenses	(12,277)	17,482	5,205
Compensated absences	26,502	11,879	38,381
Net OPEB obligation	(32,522)	-	(32,522)
GASB 68 effect on pension expense	237,758	-	237,758
GASB 75 effect on OPEB expense	(42,770)	-	(42,770)
Net cash used for operating activities	<u>\$ (497,100)</u>	<u>\$ (180,194)</u>	<u>\$ (677,294)</u>

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## **NOTES TO FINANCIAL STATEMENTS**

**STINSON BEACH COUNTY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**June 30, 2020**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***A. General***

The Stinson Beach County Water District was formed in 1962, pursuant to the approval of voters in an election, and it is governed by an elected five-member Board of Directors. The District's service area includes the unincorporated community of Stinson Beach, California. The accompanying financial statements present the District and its component units, entities for which the District is considered to be financially accountable. The District has no component units.

The District obtains its water supply primarily from the collection, storage, and treatment of runoff from natural stream sites and underground wells. Wastewater activities include the inspection, permitting, and monitoring of septic systems due to obligations imposed upon the District by the State Legislature when it created the Stinson Beach Wastewater Management District.

***B. Financial Reporting Entity***

The accompanying basic financial statements of the District reflect only its own activities; it has no component units (other government units overseen by the District).

***C. Basis of Accounting***

The District is a proprietary entity; it uses an enterprise fund format to report its activities for financial statement purposes. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs and expenses, including depreciation, of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

An enterprise fund is used to account for activities similar to those in the private sector, where the proper matching of revenues and costs is important and the full accrual basis of accounting is required. With this measurement focus, all assets and all liabilities of the enterprise are recorded on its balance sheet, all revenues are recognized when earned and all expenses, including depreciation, are recognized when incurred. Enterprise fund equity includes retained earnings and contributed capital.

The proprietary funds apply all applicable Governmental Accounts Standards Board (GASB) pronouncements.

***D. Property Taxes***

Property tax revenue is recognized in the fiscal year for which the tax is levied. The Marin County levies, bills and collects property taxes for the District; all material amounts are collected by June 30.

Secured and unsecured property tax is due in two installments on November 1 and February 1, becomes a lien on January 1, and becomes delinquent on December 10 and April 10, respectively. Delinquent accounts are assessed a penalty of 10 percent. Accounts which remain unpaid on June 30 are charged an additional one and one half percent per month. Unsecured property tax is due on July 1 and becomes delinquent on August 31. The penalty percentage rates are the same as secured property tax.



**STINSON BEACH COUNTY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**June 30, 2020**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***E. Compensated Absences***

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. The liability for unpaid vacation is recorded in the financial statements when the liability is incurred and is reported as the current portion of such compensated absences. The District provides limited payment of unused sick leave at termination date. Balances of \$90,880 and \$55,128 for the water and wastewater funds, respectively, are comprised of the following:

	Water		Wastewater	
	<u>Vacation</u>	<u>Sick</u>	<u>Vacation</u>	<u>Sick</u>
Beginning Balance	\$ 34,575	\$ 29,803	\$ 26,172	\$ 17,077
Additions	13,195	4,351	6,347	4,323
Payments	<u>(4,956)</u>	<u>(3,587)</u>	<u>(5,763)</u>	<u>(1,252)</u>
	<u>\$ 42,814</u>	<u>\$ 30,567</u>	<u>\$ 26,756</u>	<u>\$ 20,148</u>

***F. Inventory***

All inventories are valued at cost based upon physical determinations made at the end of each year.

***G. Long-term Obligations***

In enterprise fund-type financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Discounts associated with the issuance of long-term debt obligations are reported as a reduction of the carrying value of the related debt obligation and are amortized to interest expense over the life of the debt instrument. Costs associated with the issuance of the debt are capitalized as other noncurrent assets and are amortized to expense over the life of the debt obligation.

***H. Use of Estimates***

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

***I. Pensions***

For purposes of measuring the net pension liability (NPL) and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position (FNP) of the Local Government of Example'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.

**STINSON BEACH COUNTY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**June 30, 2020**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***J. Other Post-Employment Benefits***

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Agency's plan (OPEB plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Measurement Period	July 1, 2018 to June 30, 2019

**2. CASH AND INVESTMENTS**

***A. Policies***

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The District's investment policy has been to invest idle cash in demand deposits, time deposits and the Local Agency Investment Fund (LAIF) of the State of California. Investments are reported at fair value. The LAIF is operated in accordance with applicable state laws and regulations, and the reported value of the District's investment in the LAIF is the same as the fair value of the LAIF pool shares. State statutes authorize the District to invest in obligations of the U.S. Treasury, Federal Agency obligations, commercial paper, the LAIF and other instruments. The Trust Agreement underlying the issuance of the Installment Purchase Agreements authorize permitted investments consistent with the State of California Government Code but broader in scope than the District's usual investment practices.

***B. Classification***

Cash and investments are classified in the financial statements as shown below, based on whether or not their use is restricted, at June 30, 2020.

Cash available for District operations	\$ 112,185
Restricted cash and investments	31,453
Designated cash and investments	<u>909,433</u>
Total	<u>\$ 1,053,071</u>

**STINSON BEACH COUNTY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
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**2. CASH AND INVESTMENTS (continued)**

The District's cash and investments consist of the following at June 30, 2020:

Cash and cash equivalents:		<u>Rating</u>
Cash on hand	\$ 278	N/A
Demand deposits	111,908	N/A
Local Agency Investment Fund (LAIF)	508,839	N/A
Debt service fund:		
Wells Fargo debt service fund Treasury money market	25,402	AAAm
Blackrock debt service T-Fund	<u>6,051</u>	AAAm
Total	<u>\$ 652,478</u>	

**C. Collateralization of Cash and Cash Equivalents**

California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the District's cash on deposit or first trust deed mortgage notes with a value of 150% of the District's cash on deposit as collateral for these deposits. Under California Law this collateral is held in an investment pool by an independent financial institution in the District's name and places the District ahead of general creditors of the institution pledging the collateral. The District has waived collateral requirements for the portion of deposits covered by federal deposit insurance.

**D. Interest Rate and Credit Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Normally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

The District is a 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. The District reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are maintained on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations. At June 30, 2020, these investments matured in an average of 6 months.

The District invests in Wells Fargo Advantage Treasury money market funds and Blackrock Provident institutional T-Fund which are available for withdrawal on demand.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. None of the District's investments were invested in specific securities. All monies in the LAIF, Blackrock Provident, and Wells Fargo Advantage are not evidenced by specific securities; and therefore, are not subject to custodial credit risk.

**STINSON BEACH COUNTY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**June 30, 2020**

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**2. CASH AND INVESTMENTS (continued)**

***E. Restricted Cash and Investments***

The District has the following restrictions on cash and investments:

*Restricted for Debt Service* - The District has moneys held by Wells Fargo Bank and Union Bank of California as trustees, pledged to the payment or security of its outstanding bond issues. All transactions associated with debt service are administered by these trustees. The cash and investment amount for June 30, 2020 is \$31,453.

***F. Board Designated Investments***

*Designated for Construction in Progress* – The District has designated investments for acquisition, construction and re-construction of District capital assets. As of June 30, 2020, the amount designated for construction in progress is \$508,839.

*Designated for Emergency Reserves* – The District has designated reserves for emergencies in which the District would need to repair or purchase District assets. As with operational reserves, the District may add funds at any time, not to exceed 100% of the annual operating budget. As of June 30, 2020, the amount designated for emergency reserves is \$400,594.

**3. CAPITAL ASSETS**

***A. Summary***

Capital assets, which include property, plant, equipment, and infrastructure assets (mainly the existing water system) are reported in the financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets and assets constructed by developers are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed net of construction period interest revenues earned during such periods.

The purpose of depreciation is to spread the cost of utility plant assets equitably among all customers over the life of these assets, so that each customer's bill includes a pro rata share of the cost of these assets. The amount charged to depreciation expense each year represents that year's pro rata share of utility plant cost.

Depreciation of all utility plant in service is charged as an expense against operations each year and the total amount of depreciation taken over the years, called accumulated depreciation, is reported on the balance sheet as a reduction in the book value of the utility plant assets.

**STINSON BEACH COUNTY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
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**3. CAPITAL ASSETS (continued)**

Depreciation of utility plant in service is provided using the straight-line method, which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated. The District has assigned the useful lives listed below to utility plant assets:

Assets	Years
Transmission and treatment plant	25 – 75
Buildings and storage facilities	40
Vehicles and trucks	5 – 10

***B. Additions and Retirements***

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

	Balance at June 30, 2019	Additions	Retirements	Transfers & Adjustments	Balance at June 30, 2020
Capital assets not being depreciated					
Land	\$ 49,240	\$ -	\$ -	\$ -	\$ 49,240
Construction in progress	695,140	170,181	(9,200)	(697,421)	158,700
Total capital assets not being depreciated	744,380	170,181	(9,200)	(697,421)	207,940
Capital assets being depreciated					
Buildings and structures	2,651,526	-	-	-	2,651,526
Pipelines and improvements	5,129,655	17,772	-	2,710	5,150,137
Tanks	2,291,940	-	-	694,711	2,986,651
Hydrants and valves	149,400	4,436	-	-	153,836
Vehicles and equipment	547,146	7,906	-	-	555,051
Total capital assets being depreciated	10,769,667	915	-	697,421	11,497,201
Less accumulated depreciation:					
Buildings and structures	769,178	71,243	-	-	840,421
Pipelines and improvements	2,023,154	186,142	-	-	2,209,296
Tanks	571,589	45,203	-	-	616,792
Hydrants and valves	88,899	7,562	-	-	96,461
Vehicles and equipment	388,595	27,811	-	-	416,406
Total accumulated depreciation	3,841,415	\$ 337,961	\$ -	\$ -	4,179,376
Net capital assets being depreciated	6,928,252				7,317,825
Total capital assets, net	\$ 7,672,632				\$ 7,525,765

**STINSON BEACH COUNTY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**June 30, 2020**

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**4. LONG-TERM DEBT**

***A. Compositions and Changes***

The District generally incurs long-term debt to finance projects or purchase assets, which will have useful lives equal to or greater than the related debt. The District's debt issues and transactions are summarized below and discussed in detail thereafter.

	<u>Maturity Date</u>	<u>Interest Rates</u>	<u>Balance June 30, 2019</u>	<u>Additions (Retirements)</u>	<u>Balance June 30, 2020</u>
State Loans	7/1/2025	2.39%	\$ 144,546	(22,151)	121,863
2013 Water Revenue Refunding Bond	10/1/2032	3.47%	<u>1,219,616</u>	<u>(142,064)</u>	<u>1,074,639</u>
Total			<u>1,364,162</u>	<u>(187,300)</u>	<u>\$ 1,196,502</u>
Long-term debt due within one year					\$ 170,956
Long-term debt due in more than one year					<u>1,025,546</u>
					<u>\$ 1,196,502</u>

***B. Description of the District's Long Term Debt Issues***

*State Loans*

The District entered into a loan agreement with the State Department of Water Resources for the purpose of obtaining construction financing for water system improvements. The loan is secured by a pledge of water revenues. The loan was for \$411,500, bears interest at 2.39 percent and matures July 1, 2025.

*2013 Water Revenue Refunding Bonds*

In fiscal year 2013, the District authorized the issuance of the Refunding Bonds in the principal amount of \$1,997,614. The bond refunded the Installment Agreement with ABAG and CSCDA. The bond bears interest at 3.47 percent and is payable in semi-annual payments each April 1st and October 1st through October 1, 2032. Principal payments are due each October 1st.

**STINSON BEACH COUNTY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**June 30, 2020**

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**4. LONG-TERM DEBT (continued)**

**C. Debt Service Requirements**

Annual debt service requirements are shown below for the above debt issues:

Payments due in fiscal year ended June 30,	Principal	Interest	Total
2021	170,956	37,502	208,458
2022	174,094	31,772	205,866
2023	97,110	27,330	124,440
2024	101,433	24,155	125,588
2025	100,673	20,925	121,598
2026 – 2030	386,353	60,644	446,997
2031 – 2033	165,883	8,699	174,582
	<b>\$ 1,196,502</b>	<b>\$ 211,027</b>	<b>\$ 1,407,529</b>

**5. NET POSITION**

Net Position is the excess of all the District’s assets and deferred outflows over all its liabilities and deferred inflow of resources, regardless of fund. Net Position are divided into three captions. These captions apply only to Net Position and are described below:

Net investment in Capital Assets describes the portion of Net Position which is represented by the current net book value of the District’s capital assets, less the outstanding balance of any debt issued to finance these assets.

Restricted describes the portion of Net Position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the District cannot unilaterally alter. These principally include developer fees received for use on capital projects and debt service requirements.

Unrestricted describes the portion of Net Position which is not restricted to use.

During the year ended June 30, 2020, unrestricted net position in the Water Fund increased from negative \$878,532 to a negative \$856,375, an increase of \$22,157.

**STINSON BEACH COUNTY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**June 30, 2020**

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**6. RETIREMENT PLAN**

***A. General Information about the Pension Plan***

*Plan Descriptions*

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, 2018 Annual Actuarial Valuation Report. This report is a publically available valuation report that can be obtained at CalPERS' website under Forms and Publications. All qualified permanent and probationary employees are eligible to participate in the District's separate Miscellaneous Employee Pension Plans, cost-sharing multiple employer 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 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: The Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at June 30, 2020, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or after January 1, 2013
Hire Date		
Benefit formula	2.7% @ 55	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Minimum retirement age	50	52
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.0% to 2.5%



**STINSON BEACH COUNTY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
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**6. RETIREMENT PLAN (continued)**

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS' annual actuarial valuation process. The Plan's actuarially determined rate is based on the estimated amount necessary to pay the costs of benefits earned by employees during the year, with an additional amount to pay any unfunded accrued liability. The District 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 7.25 percent of annual pay, and the average employer's rate is 10.01 percent of annual payroll.

For the year ended June 30, 2020, the contributions recognized as part of pension expense for each Plan were as follows:

	Miscellaneous Plan
Employer Contributions – Classic Plan	\$ 83,227
Employer Contributions - PEPR	10,124
	\$ 93,351

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

The following table shows the Plan's proportionate share of the risk pool collective net pension liability over the measurement period.

	Proportionate Share of Net Pension Liability	Miscellaneous
Balance at: 6/30/18 - Measurement date	\$ 1,499,545	0.03978%
Balance at: 6/30/19 – Measurement date	1,573,260	0.03929%
Total Net Change 2018 – 2019	\$ 73,715	

The District's net pension liability of \$1,573,260 is measured as the proportionate share of the net pension liability of \$4,004,500,996 (or 0.03929%). The net pension liability is measured as of June 30, 2019, and the total 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 proportion 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.

For the year ended June 30, 2020, the District recognized pension revenue of \$112,522 for the Plan. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**STINSON BEACH COUNTY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
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**6. RETIREMENT PLAN (continued)**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 212,909	\$ -
Differences between actual and expected experience	109,270	(8,466)
Changes in assumptions	75,020	(26,594)
Difference between projected and actual earnings on pension plan investments	-	(27,505)
Difference between contribution and proportionate share of Contributions	70,785	-
Adjustment due to differences in proportions	13,581	(55,979)
Total	\$ 481,565	\$ (118,544)

Of the \$481,565 reported as deferred outflows of resources, \$212,909 is related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ended June 30:	Deferred Outflows (Inflows) Of Resources
2021	138,411
2022	(13,450)
2023	19,593
2024	5,558
Thereafter	-

The amounts above are the net of outflows and inflows recognized in the fiscal 2019 measurement period.

*Actuarial Methods and Assumptions Used to Determine Total Pension Liability*

For the measurement period ending June 30, 2019 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2018 total pension liability. Both the June 30, 2018 total pension liability and the June 30, 2019 total pension liability were determined using the following actuarial methods and assumptions:

**STINSON BEACH COUNTY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
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**6. RETIREMENT PLAN (continued)**

	Miscellaneous
Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Projected Salary Increase	Varies by entry age and service 7.15%, Net of Pension Plan Investment and Administrative Expenses; Includes inflation.
Investment Rate of return	Derived using CalPERS' Membership Data for all Funds
Mortality Rate Table <sup>1</sup>	The lesser of contract COLA or 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies. 2.50% thereafter.
Post Retirement Benefit Increase	

- <sup>1.</sup> The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries 90% scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015).

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 period of projected benefit payments to determine the total pension liability.

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 best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

**STINSON BEACH COUNTY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
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**6. RETIREMENT PLAN (continued)**

*Discount Rate (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 returns were calculated over the short-term (first 10 years) and the long-term (11-60 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 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 equivalent to the single equivalent rate calculated above and adjusted to account for administrative expenses.

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

<u>Allocation by Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1 – 10 (a)</u>	<u>Real Return Years 11+ (b)</u>
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	—	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real assets	13.0%	3.75%	4.93%
Liquidity	1.0%	—	-0.92%
Total	<u>100.00%</u>		

(a) An expected inflation of 2.00% was used for this period.

(b) An expected inflation of 2.92% was used for this period.

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

The following presents the District's proportionate share of the net pension liability, calculated using the discount rate of 7.15 percent, as well as what the District's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (6.15%) or 1-percentage point higher (8.15%) than the current rate:

	<u>Discount Rate -1% (6.15%)</u>	<u>Current Discount Rate (7.15%)</u>	<u>Discount Rate +1% (8.15%)</u>
Plan's Net Pension Liability (Asset)	\$ 2,310,791	\$ 1,573,260	\$ 964,480

**Pension Plan Fiduciary Net Position** – Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

**STINSON BEACH COUNTY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**June 30, 2020**

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**7. OTHER POST-EMPLOYMENT BENEFITS**

***A. Plan Description***

The Stinson Beach County Water District administers the District's Retired Employees' Healthcare plan, a single employer defined benefit health care plan. The plan provides medical benefits to eligible retired District employees and their beneficiaries. The District's plan is affiliated with the State of California PERS in so far as the District health insurance premium payments are paid to the PERS. The PERS through an aggregation of single-employer plans pools administrative functions in regard to purchases of commercial health care policies and coverage. Employees do not get medical or dental upon retirement, unless purchased.

Effective June 27, 2017, the District joined the California Employers' Retiree Benefit Trust (CERBT) in order to pre-fund the retiree medical costs. The objective of the CERBT is to seek favorable returns that reflect the broad investment performance through asset allocation. The employers who participate in the CERBT own units of the fund's portfolio, which is invested in accordance with the approved strategic asset allocation; they do not have direct ownership of the securities in the portfolio. The unit value changes with market conditions. The CERBT is a self-funded program, in which the participating employers pay the program costs. The cost charged to participating employers is based on the average daily balance of assets. CalPERS issues a separate CAFR. Copies of the CERBT's annual financial report may be obtained from its Affiliate Program Services Division at 400 Q Street, Sacramento, CA 95811.

***B. Employees Covered***

As of June 30, 2019 actuarial valuation, the following current and former employees were covered by the benefit terms under the plan:

Active employees	8
Inactive employees or beneficiaries currently receiving benefits	2
Inactive employees entitled to, but not yet receiving benefits	<u>0</u>
Total	<u>10</u>

***C. Contributions***

The District's plan and its contribution requirements are established by District resolutions and regulations. The District paid \$258 a month for the first 6 months of fiscal 2019-20 and \$278 a month for the last 6 months towards retiree health insurance, which increases 3 percent every year and caps out in about seven years. The retiree pays the remaining amount. The annual contribution to the CERBT trust is based on the actuarially determined contribution. For the fiscal year June 30, 2020, the District's cash contributions were \$34,000 to the CERBT Trust and the implied subsidy was \$3,218, resulting in total payments of \$37,218.

**STINSON BEACH COUNTY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
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**7. OTHER POST-EMPLOYMENT BENEFITS (continued)**

***D. Net OPEB Liability***

The District's Net OPEB Liability was measured on June 30, 2019 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation dated June 30, 2019 based on the following actuarial methods and assumptions:

Actuarial Assumptions:

Discount Rate	6.73%, based on CERBT Strategy 2 investment policy
Net Investment Return	6.73%, based on CERBT Strategy 2 investment policy
Inflation	2.26% annually
Payroll Increases	3.25% annually
Pre-Excise Tax	Pre-65, 6.85% in 2021, tapering to 5.00% in 2029
Healthcare trend	Post-65, 5.00% in 2021, 5.00% thereafter
Plan Distribution for	Kaiser – 90%
Calculating Baseline Cost	PERS Choice – 10%
Baseline Cost	Pre-Medicare: \$9,335 per year Post-Medicare: \$4,008 per year
Administrative Expenses	The administrative expense was \$39.
Health Plan Participation	100% of eligible participants
Medicare Coverage	All future retirees will be eligible at age 65
Morbidity Factors	CalPERS 2017 study
Population for Curving	CalPERS 2017 study
Age-Weighted Claims	Ranges from \$3,630 to \$14,354 depending on age. Gender is not a
Costs	factor.
Mortality	Based on the 2017 CalPERS demographic study
Disability	Not valued
Percent Married	Not applicable
Retirement	Rates are from the 2017 CalPERS demographic study Public Agency. Miscellaneous 2% @ 55 for actives hired before January 1, 2013, and 2% @ 62 for active hired on or after January 1, 2013. Assumes no retirements prior to age 60.

The average per capita claims cost was updated to reflect actual 2019 and 2020 premiums, the health care cost trend rates were updated to reflect 2018 industry survey data, the mortality table was updated to reflect the most recent CalPERS studies, and the discount rate was updated to reflect contributions to the CERBT Trust.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

**STINSON BEACH COUNTY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**June 30, 2020**

**7. OTHER POST-EMPLOYMENT BENEFITS (continued)**

<u>Investment Class</u>	<u>Target Allocation</u>	<u>Long-term expected real rate of return</u>
Equity	43.00%	5.45%
Fixed Income	49.00%	1.87%
REITs	8.00%	5.06%
Total	100%	

**E. Discount Rate**

The discount rate used to measure the total OPEB liability was 6.73 percent, and is based on a blend of (a) the long-term expected rate of return on assets for benefits covered by plan assets and a yield or index for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or better for benefits not covered by plan assets.

**F. Changes in the OPEB Liability**

	<u>Increase (Decrease)</u>		
	<u>Total OPEB Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net OPEB Obligation (Asset) = (a) - (b)</u>
Balance at June 30, 2018 (Measurement date) <i>(Valuation date June 30, 2017)</i>	\$ 331,076	\$ 180,174	\$ 150,902
Changes recognized for the measurement period			
Service cost	9,404	-	9,404
Interest	22,723	-	22,723
Change of assumptions	(3,478)	-	(3,478)
Net investment income	-	12,702	(12,702)
Employer contributions	-	39,756	(39,756)
Difference between expected and actual experience	(8,752)	-	(8,752)
Benefit payments to retirees	(5,756)	(5,756)	-
Administrative expense	-	(39)	39
Net changes	14,141	46,663	(22,935)
Balance at June 30, 2019 (Measurement date) <i>(Valuation date June 30, 2019)</i>	\$ 345,217	\$ 226,837	\$ 118,380

**STINSON BEACH COUNTY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**June 30, 2020**

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**7. OTHER POST-EMPLOYMENT BENEFITS (continued)**

***G. Sensitivity of the Net OPEB Liability to the Changes in the Discount Rate***

The following presents the Net OPEB Liability of the Agency if it were calculated using a discount rate that is one percentage point higher or lower than the current discount rate, for the measurement period ended June 30, 2019:

	1% Decrease (5.73%)	Current Discount Rate (6.73%)	1% Increase (7.73%)
Net OPEB Liability	\$ 167,761	\$ 118,380	\$ 77,276

***H. Sensitivity of the Net OPEB Liability to the Changes in the Health Care Cost Trend Rates***

The following presents the net OPEB liability of the District if it were calculated using health care cost trend rates that are one percentage point higher or lower than the current rate, for the measurement period ended June 30, 2019:

	1% Decrease	Current Trend Rate	1% Increase
Net OPEB Liability	\$ 72,592	\$ 118,380	\$ 174,313

***I. OPEB Plan Fiduciary Net Position***

CERBT issues a publicly available financial report that may be obtained from CalPERS, Prefunding Programs, CERBT (OPEB), P.O. Box 1494, Sacramento, CA 95812-1494.

***J. Recognition of Deferred Outflows and Deferred Inflows of Resources***

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time.

Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.

The actuary used straight-line amortization. For assumption changes and experience gains/losses, they assumed Average Future Working Lifetime, averages over all actives and retirees (retirees are assumed to have no future working years). For asset gains and losses, the actuaries assumed five years.



**STINSON BEACH COUNTY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**June 30, 2020**

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**7. OTHER POST-EMPLOYMENT BENEFITS (continued)**

***K. OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB***

For the year ended June 30, 2020, the District recognized OPEB expense (revenue) of \$199,684. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 42,502	\$ -
Changes in assumptions	-	(183,741)
Differences between expected and actual experience	-	(8,617)
Net differences between projected and actual earnings on plan investments	3,562	-
Total	\$ 46,064	\$ (192,358)

Of the \$46,064 reported as deferred outflows of resources, \$42,502 related to contributions subsequent to the measurement date that will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as OPEB expense as follows:

Fiscal Year Ending:	Deferred Outflows/(Inflows) of Resources
2021	(49,437)
2022	(49,439)
2023	(50,352)
2024	(36,968)
2025	(2,232)
Thereafter	(368)

**STINSON BEACH COUNTY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**June 30, 2020**

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**8. RISK MANAGEMENT**

The District obtains general liability, property, automobile, and workers compensation insurance through its membership in the Association of California Water Agencies Joint Powers Insurance Authority. The Authority is responsible for the first \$5,000,000 per claim under its liability coverage program, and members are covered up to \$65 million for liability claims under the Authority's purchased excess insurance policies. Members are covered for \$100 million in regard to property and equipment through the Authority's purchased excess coverage. Workers compensation coverage is provided to the District equal to statutory limits. The Authority also provides automobile liability coverage and errors and omissions coverage up to \$60 million, and employee fidelity coverage up to \$1,000,000. The District paid no material uninsured losses during the last three fiscal years.

The following is a summary of the insurance policies in force carried by the District as of June 30, 2019.

<u>Type of Coverage</u>	<u>Limits</u>	<u>Deductible</u>
General Liability	\$ 55,000,000	None
Auto Liability	55,000,000	None
Public Officials Liability	55,000,000	None
Property	500,000,000	\$ 500 – 50,000
Fidelity	1,000,000	1,000
Workers' Compensation	Statutory	None

Liabilities of the District are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards.

Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. There were no material uninsured claim liabilities at June 30, 2020.

**9. GRANT AGREEMENT**

In July 2015, the Association of Bay Area Governments (ABAG) and the Department of Water Resources (DWR) entered into an agreement awarding ABAG state grants to help fund 11 local, subregional, and regional projects within the San Francisco Bay Area IRWM region (Work Plan). The District is a subrecipient of those grant funds and is responsible for completion of their portion of the Work Plan, which is the Stinson Beach Water Supply and Drought Preparedness Plan. It is anticipated that total funds received from ABAG will amount to \$937,452.

As part of the Work Plan, the District expends funds and requests quarterly reimbursements from ABAG. As of June 30, 2020, the District had requested the full amount from ABAG, and had received the full amount of \$937,452.

**STINSON BEACH COUNTY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**June 30, 2020**

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**10. COMMITMENT AND CONTINGENT LIABILITIES**

***A. Litigation***

In the normal course of business, the District is subject to various claims, lawsuits, and settlements. Management does not anticipate these costs will have a material adverse impact on the accompanying financial statements.

**11. SUBSEQUENT EVENTS**

Management has evaluated events through the date of the audit opinion, the date on which these financial statements were available to be issued. No events that would require additional disclosure came to their attention.

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## **REQUIRED SUPPLEMENTARY INFORMATION**

**Stinson Beach County Water District  
Required Supplementary Information  
For the Year ended June 30, 2020**

		Schedule of Proportionate Share of Net Pension Liability Last 10 Years*				
		2020	2019	2018	2017	2016
Measurement date	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
Plan's proportion of the Net Pension Liability (Asset)	0.015353%	0.015562%	0.015735%	0.01617%	0.01748%	0.01703%
Plans Proportionate Share of the Net Pension Liability (Asset)	\$ 1,573,260	\$ 1,499,545	\$ 1,560,437	\$ 1,399,036	\$ 1,200,034	\$ 1,059,872
Plan's Covered-Employee Payroll	Not available	\$ 766,730	\$ 766,730	\$ 720,778	\$ 710,354	\$ 635,273
Plan's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Not available	195.58%	203.52%	194.10%	168.93%	166.84%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	71.31%	71.34%	69.16%	69.15%	70.90%	73.52%
Plan's Proportionate Share of Aggregate Employer Contributions	\$ 162,020	\$ 142,207	\$ 132,397	\$ 116,787	\$ 155,547	\$ 146,229

\* Fiscal year ending June 30, 2015 was the first year of implementation, therefore only six years are shown.

**Stinson Beach County Water District  
Required Supplementary Information  
For the Year ended June 30, 2020**

Schedule of Pension Plan Contributions  
Last 10 Years\*

	2020	2019	2018	2017	Ending June 30, 2016	2015
Actuarially Determined Contributions	\$ 210,783	\$ 190,129	\$ 176,700	\$ 116,787	\$ 155,547	\$ 146,229
Contributions in relation to the actuarially determined contribution	<u>(210,783)</u>	<u>(190,129)</u>	<u>(176,700)</u>	<u>(116,787)</u>	<u>(155,547)</u>	<u>(146,229)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	Not available	\$ 766,730	\$ 766,730	\$ 720,778	\$ 710,354	\$ 635,273
Contributions as a percentage of covered-employee payroll	Not available	24.80%	23.05%	16.20%	21.90%	23.02%

**Notes to Schedule:**

Valuation Date:

June 30, 2018

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal cost method
Amortization method	Level percent of payroll
Asset valuation method	Actuarial value of assets
Inflation	2.50%
Salary increase	Varies by age and service
Investment rate of return	7.15%
Mortality rate table	Derived using CalPERS' Membership Data for all
Post Retirement benefit increase	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies.

\* Fiscal year ending June 30, 2015 was the first year of implementation, therefore only six years are shown.

**STINSON BEACH COUNTY WATER DISTRICT**  
**Required Supplementary Information**  
**For the Year Ended June 30, 2020**

Schedule of Changes in the Net OPEB Liability and Related Ratios  
For the Measurement Period Ended June 30,

	2019	2018	2017
<b>Total OPEB Liability</b>			
Service cost	\$ 9,404	\$ 8,956	\$ 26,222
Interest on the OPEB liability	22,723	21,284	17,851
Change of assumptions	(3,478)	-	(326,816)
Differences between expected and actual experience	(8,752)	(1,769)	-
Benefits paid to retirees	(5,756)	(9,232)	(11,030)
<b>Net change to total OPEB liability</b>	14,141	19,239	(293,773)
<b>Total OPEB Liability - beginning</b>	331,076	311,837	605,610
<b>Total OPEB Liability - ending</b>	<b>(a) \$ 345,217</b>	<b>\$ 331,076</b>	<b>\$ 311,837</b>
 <b>Plan Fiduciary Net Position</b>			
Employer contributions	\$ 39,756	\$ 43,232	\$ 149,030
Net investment income	12,702	8,246	-
Administrative expense	(39)	(72)	-
Benefits paid to retirees	(5,756)	(9,232)	(11,030)
<b>Net change to plan fiduciary net position</b>	46,663	42,174	138,000
<b>Plan fiduciary net position- beginning</b>	180,174	138,000	-
<b>Plan fiduciary net position- ending</b>	<b>(b) 226,837</b>	<b>180,174</b>	<b>138,000</b>
 <b>Net OPEB Liability - ending</b>	<b>(a) - (b) \$ 118,380</b>	<b>\$ 150,902</b>	<b>\$ 173,837</b>
 Plan fiduciary net position as a percentage of the total OPEB liability	66%	54%	44%
 Covered-employee payroll	775,801	766,730	Not available
 Plan net OPEB liability as a percentage of covered-employee payroll	15%	20%	Not available



**STINSON BEACH COUNTY WATER DISTRICT**

**Schedule of OPEB Contributions**

**Last Ten Fiscal Years<sup>1</sup>**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Fiscal Year Ended June 30,			
Actuarially determined contributions (ADC)	\$ 20,353	\$ 21,243	\$ 39,669
Contributions in relation to the ADC	<u>(39,756)</u>	<u>(43,232)</u>	<u>(149,030)</u>
Contributions deficiency (excess)	<u><b>(19,403)</b></u>	<u><b>(21,989)</b></u>	<u><b>(109,361)</b></u>
Covered-employee payroll	775,801	766,730	Not available
Contributions as a percentage of covered-employee payroll	5%	6%	Not available

**Notes to schedule:**

<sup>1</sup> Historical information is required only for measurement periods for which GASB No. 75 is applicable. Future years' information will be displayed, up to 10 years, as information becomes available.



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**STINSON BEACH COUNTY WATER DISTRICT**

**BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2019**

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**STINSON BEACH COUNTY WATER DISTRICT  
BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2019**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Stinson Beach County Water District

We have audited the accompanying financial statements of the business-type activities of each major fund of Stinson Beach County Water District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions 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. 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 auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of each major fund of Stinson Beach County Water District, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis pages 3 – 8, Schedule of the District's Proportionate Share of the Net Pension Liability on page 36, Schedule of the District's Pension Plan Contributions on page 37, Schedule of Changes in the Net OPEB Liability and Related Ratios on page 38, and Schedule of OPEB Contributions on page 39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Cropper Accountancy Corporation*

CROPPER ACCOUNTANCY CORPORATION

Walnut Creek, California

December 11, 2019

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Stinson Beach County Water District's annual financial report presents a discussion and analysis of the District's financial performance during the year that ended on June 30, 2019.

### FINANCIAL HIGHLIGHTS

- For the fiscal year ended June 30, 2019, the District continues with the provisions of GASB Statement No. 68 and Statement No. 75. This resulted in deferred inflows of \$367,713 and deferred outflows of \$592,691. The net position of the District's business-type activities increased in fiscal 2019 by \$214,604 compared to the net position of the District at June 30, 2018.
- Total operating expenses for 2019 decreased by about \$161,356.
- The District's operating revenue from business-type activities in 2019 decreased by a net \$99,857 compared to 2018, as a result of lower water usage.
- The District in 2019 increased its capital assets by a net \$386,927 (after depreciation) as a result of additions from construction of coating and repairing its water tanks.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – *management's discussion and analysis* (this section), *the basic financial statements*, and *required supplementary information*. The basic financial statements include one kind of statements that present both a short-term and long-term view of the District.

- *Proprietary* enterprise fund-type statements offer *short-* and *long-term* financial information about the activities that the District operates *like businesses*, such as the District's water treatment and distribution system and wastewater septic permitting and monitoring programs.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that provides more data about the District's pension plan.

Figure A-1 summarizes the major features of the District's financial statements, including the portion of the District they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.



## MANAGEMENT'S DISCUSSION AND ANALYSIS

**FIGURE A-1 Major Financial Statement Features**

	<b>Basic Financial Statements</b>
Scope	Activities the District operates similar to private businesses; the water and wastewater systems
Required financial statements	Statement of net position Statement of revenues, expenses, and changes in net position . Statement of cash flows.
Accounting basis and measurement focus	Accrual accounting and economic measurement focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term focus
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received

### **Basic Financial Statements**

The basic financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes *all* the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of revenues, expenses, and changes in net assets regardless of when cash is received or paid.

The basic financial statements report the District's *net position* and how it has changed. Net position – the difference between the District's assets and liabilities – is one way to measure the District's financial health, or *position*.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.

The basic financial statements of the District consist of one category:

- *Business-type activities* – The District charges fees to help it cover the costs of certain services it provides. All of the District's operations are accounted for in this category. *The District uses proprietary enterprise fund type accounting principles to account for all operations.* Proprietary accounting provides both long-and short-term financial information.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

**Net Position.** The District's *combined* net position increased by \$214,604 between years 2018 and 2019. (See Table A-1.)

**TABLE A-1 NET POSITION OF THE DISTRICT (In Rounded Dollars)**

	Business-Type Activities		Increase (decrease)	
	June 30			
	2019	2018	Amount	%
Current and other assets	\$ 991,484	\$ 1,470,268	\$ (478,784)	-32.6%
Capital assets	7,672,632	7,285,705	386,927	5.3%
Deferred outflows of resources	592,691	521,481	71,210	13.7%
Total assets and deferred outflows of resources	9,256,807	9,277,454	(20,647)	-0.2%
Current and other liabilities	467,381	540,963	(73,582)	-13.6%
Long-term debt outstanding	1,196,502	1,364,162	(167,660)	-12.3%
Accrued pension liability	1,499,545	1,560,437	(60,892)	-3.9%
Deferred inflows of resources	367,713	300,830	66,883	22.2%
Total liabilities and deferred inflows of resources	3,531,141	3,766,392	(235,251)	-6.2%
Net position (Note 5):				
Net investment in capital assets	6,308,469	5,757,328	551,141	9.6%
Restricted	31,771	31,149	622	2.0%
Unrestricted	(614,574)	(277,415)	(337,159)	-121.5%
Total net position	<u>\$ 5,725,666</u>	<u>\$ 5,511,062</u>	<u>\$ 214,604</u>	<u>3.9%</u>

Net position of the District in 2019 increased about 3.9% compared to the 2018 fiscal year for a total of about \$5,725,666.

The 5.3% increase in capital assets in 2019 results primarily from repairs to the water tanks.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

**Changes in net position.** The District's total revenues in fiscal year 2019 increased an overall \$214,604 due mainly to increased property taxes, increased depreciation, and a prior period adjustment of the OPEB liability.

About 49 percent of the District's revenue comes from charges for services in the form of the sale of water and wastewater permitting and monitoring fees. The remaining 51 percent comes primarily from property taxes and a small amount from interest.

The total cost of all programs and services in fiscal 2019 decreased to about \$2.1 million, a \$161,356 decrease compared to a \$633,616 increase in 2018.

**TABLE A-2 District's Revenues, Expenses and Changes in Net Position (In Rounded Dollars)**

	Business-Type Activities June 30		Increase (decrease)	
	2019	2018	Amount	%
<b>Revenue</b>				
Program Revenues:				
Charges for services	\$ 1,077,626	\$ 1,177,483	\$ (99,857)	-8.5%
Investment and other revenue	18,907	56,725	(37,818)	-66.7%
General revenues - property taxes	1,158,309	1,093,170	65,139	6.0%
Grant revenues	-	59,528	(59,528)	100.0%
Total revenues	<u>2,254,842</u>	<u>2,386,906</u>	<u>(132,064)</u>	<u>-5.5%</u>
<b>Expenses</b>				
Salaries and benefits	1,160,754	1,145,826	14,928	1.3%
Board officer costs	13,200	13,950	(750)	-5.4%
Professional services	261,747	301,277	(39,530)	-13.1%
Other operating expenses	294,432	290,903	3,529	1.2%
Depreciation	312,743	262,966	49,777	18.9%
Interest on long-term debt	49,387	56,452	(7,065)	-12.5%
(Gain) Loss on disposal of assets	-	1,906	(1,906)	-
Pension expense (revenue)	(17,025)	161,477	(178,502)	-110.5%
Other nonoperating expenses	-	1,837	(1,837)	100.0%
Total expenses	<u>2,075,238</u>	<u>2,236,594</u>	<u>(161,356)</u>	<u>-7.2%</u>
<b>Change in net position</b>				
before capital contributions	179,604	150,312	29,292	19.5%
Capital connections	35,000	105,000	(70,000)	-66.7%
Change in net position	214,604	255,312	(40,708)	-15.9%
Net position, beginning	5,511,062	5,715,131	(204,069)	-3.6%
Prior period adjustment	-	(459,381)	459,381	-100.0%
Net position, ending	<u>\$ 5,725,666</u>	<u>\$ 5,511,062</u>	<u>\$ 214,604</u>	<u>3.9%</u>

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Table A-2 presents the cost of each of the District's largest functions, from an expense perspective—operating expenses, and depreciation on capital assets.

- The cost of all *District functional categories in 2019* was about \$2.1 million, about \$161,000 less than what was reported in the 2018 year.

Decreases came about due to the reporting of the pension liability.

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

At the end of 2019, the District had invested \$7,672,632 (net of accumulated depreciation) in a broad range of capital assets, including land, treatment plant, distribution lines, pumping stations, improvements, vehicles and small equipment. (See Table A-3.) This amount represents a net increase (including additions and deductions) of about \$386,927 (5.3%).

**TABLE A-3 District Net Investment in Capital Assets (In Rounded Dollars)**

	Capital Assets		Increase (decrease)	
	June 30		Amount	%
	2019	2018		
Land and construction in progress	\$744,380	\$840,392	\$(96,012)	-11.4%
Building and structures	2,651,526	2,651,526	-	0.0%
Pipelines and improvements	5,129,655	4,553,354	576,301	12.7%
Tanks	2,291,940	2,077,823	214,117	10.3%
Hydrants and valves	149,400	144,136	5,264	3.7%
Equipment and vehicles	547,146	547,146	-	0.0%
Accumulated depreciation	<u>(3,841,415)</u>	<u>(3,528,672)</u>	<u>(312,743)</u>	<u>8.9%</u>
<b>Total</b>	<u><u>\$7,672,632</u></u>	<u><u>\$7,285,705</u></u>	<u><u>\$386,927</u></u>	<u><u>5.3%</u></u>

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

**This year's major capital assets additions included:**

- Coating and repairing of the Highlands Water Tank #2 and the Laurel Water Tank.

### **Long-Term Debt**

The District has about \$2.70 million in long-term obligations outstanding. About \$1.2 million relates to the 2013 Water Revenue Bonds which refunded the installment agreements borrowed to make capital improvements. Another \$1.50 million relates to the new pension obligation. All debt service required payments were made when and as due in fiscal 2019. Additional information about the District's long-term obligations can be found in the notes to the financial statements.

### **ECONOMIC FACTORS AND NEXT YEAR'S OPERATING PLAN AND RATES**

- Operating expenses in 2020 are expected to increase by about \$300,000. Most of the expected increase is the capital purchase of infrastructure for the repairs and painting of the water tanks.
- The District expects to perform defensible space for increased fire safety, and continue recoating and repairs of the District's water tanks.
- The District is not presently considering a water or wastewater increase during Fiscal Year 2020. Property values continue to increase.

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, customers, and investors 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 General Manager, Stinson Beach County Water District, at 3785 Shoreline Highway, Stinson Beach, California, 94970.

# **FINANCIAL STATEMENTS**

**STINSON BEACH COUNTY WATER DISTRICT**  
**Statements of Net Position**  
**June 30, 2019**

	Water	Wastewater	Total
<b>Assets</b>			
Current assets:			
Cash (Note 2)	\$ 294,618	\$ (116,326)	\$ 178,292
Receivables	74,362	20,531	94,893
Proposition 84 funds receivable (Note 9)	47,120	-	47,120
Inventory	36,076	-	36,076
Prepayments	14,985	1,963	16,948
Total	<u>467,161</u>	<u>(93,832)</u>	<u>373,329</u>
Restricted cash and investments (Note 2):			
Debt service	31,771	-	31,771
Total restricted cash and investments	<u>31,771</u>	<u>-</u>	<u>31,771</u>
Designated cash and investments (Note 2):			
Construction in progress	185,790	-	185,790
Emergency fund reserves	400,594	-	400,594
Total designated cash and investments	<u>586,384</u>	<u>-</u>	<u>586,384</u>
Total current assets	<u>1,085,316</u>	<u>(93,832)</u>	<u>991,484</u>
Noncurrent assets:			
Advances to (from) other funds	(412,371)	412,371	-
Capital assets (Note 3):			
Construction in progress	695,140	-	695,140
Land	49,240	-	49,240
Buildings	2,651,526	-	2,651,526
Distribution system	7,830,275	-	7,830,275
Vehicles	287,866	-	287,866
Less accumulated depreciation	(3,841,415)	-	(3,841,415)
Total capital assets, net	<u>7,672,632</u>	<u>-</u>	<u>7,672,632</u>
Total noncurrent assets	<u>7,260,261</u>	<u>412,371</u>	<u>7,672,632</u>
Total Assets	<u>8,345,577</u>	<u>318,539</u>	<u>8,664,116</u>
<b>Deferred outflows of resources</b>			
Pension (Note 6)	551,233	-	551,233
Other post employment benefits	41,458	-	41,458
Total deferred outflows of resources	<u>592,691</u>	<u>-</u>	<u>592,691</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 8,938,268</u>	<u>\$ 318,539</u>	<u>\$ 9,256,807</u>

**STINSON BEACH COUNTY WATER DISTRICT**  
**Statements of Net Position**  
**June 30, 2019**

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	16,634	11,332	27,966
Compensated absences (Note 1.E.)	64,378	43,249	107,627
Deposits payable	13,225	-	13,225
Bonds, agreements and leases payable (Note 4)	<u>167,661</u>	<u>-</u>	<u>167,661</u>
Total current liabilities	<u>261,898</u>	<u>54,581</u>	<u>316,479</u>
Noncurrent liabilities:			
Bonds, agreements and leases payable (Note 4)	1,196,502		1,196,502
Net other post employment benefit obligation (Note 7.C.)	150,902	-	150,902
Accrued pension liability (Note 6)	<u>1,499,545</u>	<u>-</u>	<u>1,499,545</u>
Total noncurrent liabilities	<u>2,846,949</u>	<u>-</u>	<u>2,846,949</u>
Total Liabilities	<u>3,108,847</u>	<u>54,581</u>	<u>3,163,428</u>
<b>Deferred inflows of resources</b>			
Pension (Note 6)	136,691	-	136,691
Other post employment benefits	<u>231,022</u>	<u>-</u>	<u>231,022</u>
Total deferred inflows of resources	<u>367,713</u>	<u>-</u>	<u>367,713</u>
Total Liabilities and Deferred Inflows of Resources	<u>3,476,560</u>	<u>54,581</u>	<u>3,531,141</u>
<b>Net position (Note 5):</b>			
Net investment in capital assets	6,308,469	-	6,308,469
Restricted for debt service	31,771	-	31,771
Unrestricted	<u>(878,532)</u>	<u>263,958</u>	<u>(614,574)</u>
Total net position (deficit)	<u>5,461,708</u>	<u>263,958</u>	<u>5,725,666</u>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position (deficit)</b>	<u>\$ 8,938,268</u>	<u>\$ 318,539</u>	<u>\$ 9,256,807</u>



**STINSON BEACH COUNTY WATER DISTRICT**  
**Statements of Revenues, Expenses, and Changes in Net Position**  
**For the Year Ended June 30, 2019**

Operating revenue:	Water	Wastewater	Total
Sale of water	\$ 598,813	\$ -	\$ 598,813
Water usage charge	-	-	-
Wastewater fees	-	323,578	323,578
Other operating revenues	36,817	118,418	155,235
Total operating revenue	<u>635,630</u>	<u>441,996</u>	<u>1,077,626</u>
<b>Operating expense:</b>			
Salaries and wages	526,323	267,229	793,552
Employee benefits	238,930	128,272	367,202
Board officers' costs	5,900	7,300	13,200
Professional services	131,046	130,701	261,747
Insurance	20,384	8,736	29,120
Miscellaneous outside services	95,172	7,734	102,906
Utilities	40,991	17,610	58,601
Office operations	53,291	16,226	69,517
Equipment maintenance and supplies	32,712	1,576	34,288
Depreciation (Note 3.B.)	312,743	-	312,743
Total operating expense	<u>1,457,492</u>	<u>585,384</u>	<u>2,042,876</u>
Net Operating Income (loss)	<u>(821,862)</u>	<u>(143,388)</u>	<u>(965,250)</u>
<b>Nonoperating revenue (expense):</b>			
Property taxes	889,921	283,680	1,173,601
Property tax collection fee	(15,292)	-	(15,292)
Interest expense	(49,387)	-	(49,387)
Pension revenue (expense)	17,025	-	17,025
Interest and investment revenue	18,907	-	18,907
Net non-operating revenue	<u>861,174</u>	<u>283,680</u>	<u>1,144,854</u>
Income (loss) before capital contributions	39,312	140,292	179,604
Capital connection fees	35,000	-	35,000
Change in net position	74,312	140,292	214,604
Net position (deficit) - beginning	<u>5,387,396</u>	<u>123,666</u>	<u>5,511,062</u>
Net position (deficit) - ending	<u>\$ 5,461,708</u>	<u>\$ 263,958</u>	<u>\$ 5,725,666</u>

**STINSON BEACH COUNTY WATER DISTRICT**  
**Statements of Cash Flows**  
**For the Year Ended June 30, 2019**

	Water	Wastewater	Total
<b>Cash flows from operating activities:</b>			
Cash received from customers	\$ 587,687	\$ 325,735	\$ 913,422
Cash payments to suppliers	(400,279)	(199,868)	(600,147)
Payments to employees for services	(856,456)	(402,166)	(1,258,622)
Other operating receipts	36,817	118,418	155,235
<b>Net cash used for operating activities</b>	<b>(632,231)</b>	<b>(157,881)</b>	<b>(790,112)</b>
<b>Cash flows from noncapital financing activities:</b>			
Decrease in amounts due to other funds	298,294	(298,294)	-
Tax receipts	874,629	283,680	1,158,309
<b>Net cash provided by financing activities</b>	<b>1,172,923</b>	<b>(14,614)</b>	<b>1,158,309</b>
<b>Capital and related financing activities:</b>			
Principal retirement on long-term debt	(164,214)	-	(164,214)
Capital connections	35,000	-	35,000
Interest paid on long-term debt	(49,387)	-	(49,387)
Purchase of capital assets	(218,609)	-	(218,609)
<b>Net cash provided by (used in) capital and related financing activities</b>	<b>(397,210)</b>	<b>-</b>	<b>(397,210)</b>
<b>Cash flows from investing activities:</b>			
Interest received on investments	18,907	-	18,907
<b>Net cash provided by investing activities</b>	<b>18,907</b>	<b>-</b>	<b>18,907</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>162,389</b>	<b>(172,495)</b>	<b>(10,106)</b>
<b>Cash and cash equivalents:</b>			
Beginning of year	132,229	56,169	188,398
End of year	\$ 294,618	\$ (116,326)	\$ 178,292
<b>Reconciliation of net operating (loss) income to net cash provided by operating activities:</b>			
Net operating income (loss)	\$ (821,862)	\$ (143,388)	\$ (965,250)
Prior period adjustment	-	-	-
<b>Adjustments to reconcile net operating income to net cash provided by operating activities:</b>			
Depreciation	312,743	-	312,743
<b>Changes in assets/liabilities:</b>			
Restricted cash	(622)	-	(622)
Accounts receivable	(10,504)	2,157	(8,347)
Inventory	(1,583)	-	(1,583)
Prepayments	(3,085)	1,254	(1,831)
Accounts payable	(31,015)	(18,539)	(49,554)
Accrued expenses	9,000	-	9,000
Compensated absences	(14,174)	635	(13,539)
Net OPEB obligation	(22,935)	-	(22,935)
GASB 68 effect on pension expense	-	-	-
GASB 75 effect on OPEB expense	(48,194)	-	(48,194)
<b>Net cash used for operating activities</b>	<b>(632,231)</b>	<b>(157,881)</b>	<b>(790,112)</b>

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## **NOTES TO FINANCIAL STATEMENTS**

**STINSON BEACH COUNTY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**June 30, 2019**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***A. General***

The Stinson Beach County Water District was formed in 1962, pursuant to the approval of voters in an election, and it is governed by an elected five-member Board of Directors. The District's service area includes the unincorporated community of Stinson Beach, California. The accompanying financial statements present the District and its component units, entities for which the District is considered to be financially accountable. The District has no component units.

The District obtains its water supply primarily from the collection, storage, and treatment of runoff from natural stream sites and underground wells. Wastewater activities include the inspection, permitting, and monitoring of septic systems due to obligations imposed upon the District by the State Legislature when it created the Stinson Beach Wastewater Management District.

***B. Financial Reporting Entity***

The accompanying basic financial statements of the District reflect only its own activities; it has no component units (other government units overseen by the District).

***C. Basis of Accounting***

The District is a proprietary entity; it uses an enterprise fund format to report its activities for financial statement purposes. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs and expenses, including depreciation, of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

An enterprise fund is used to account for activities similar to those in the private sector, where the proper matching of revenues and costs is important and the full accrual basis of accounting is required. With this measurement focus, all assets and all liabilities of the enterprise are recorded on its balance sheet, all revenues are recognized when earned and all expenses, including depreciation, are recognized when incurred. Enterprise fund equity includes retained earnings and contributed capital.

The proprietary funds apply all applicable Governmental Accounts Standards Board (GASB) pronouncements.

***D. Property Taxes***

Property tax revenue is recognized in the fiscal year for which the tax is levied. The Marin County levies, bills and collects property taxes for the District; all material amounts are collected by June 30.

Secured and unsecured property tax is due in two installments on November 1 and February 1, becomes a lien on January 1, and becomes delinquent on December 10 and April 10, respectively. Delinquent accounts are assessed a penalty of 10 percent. Accounts which remain unpaid on June 30 are charged an additional one and one half percent per month. Unsecured property tax is due on July 1 and becomes delinquent on August 31. The penalty percentage rates are the same as secured property tax.

**STINSON BEACH COUNTY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**June 30, 2019**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***E. Compensated Absences***

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. The liability for unpaid vacation is recorded in the financial statements when the liability is incurred and is reported as the current portion of such compensated absences. The District provides limited payment of unused sick leave at termination date. Balances of \$64,378 and \$43,249 for the water and wastewater funds, respectively, are comprised of the following:

	Water		Wastewater	
	Vacation	Sick	Vacation	Sick
Beginning Balance	\$ 47,585	\$ 30,967	\$ 23,878	\$ 18,736
Additions	4,756	3,778	5,551	2,854
Payments	(17,766)	(4,942)	(3,257)	(4,513)
	\$ 34,575	\$ 29,803	\$ 26,172	\$ 17,077

***F. Inventory***

All inventories are valued at cost based upon physical determinations made at the end of each year.

***G. Long-term Obligations***

In enterprise fund-type financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Discounts associated with the issuance of long-term debt obligations are reported as a reduction of the carrying value of the related debt obligation and are amortized to interest expense over the life of the debt instrument. Costs associated with the issuance of the debt are capitalized as other noncurrent assets and are amortized to expense over the life of the debt obligation.

***H. Use of Estimates***

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

***I. Pensions***

For purposes of measuring the net pension liability (NPL) and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position (FNP) of the Local Government of Example'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.

**STINSON BEACH COUNTY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**June 30, 2019**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***J. Other Post-Employment Benefits***

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Agency's plan (OPEB plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Measurement Period	July 1, 2017 to June 30, 2018

**2. CASH AND INVESTMENTS**

***A. Policies***

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The District's investment policy has been to invest idle cash in demand deposits, time deposits and the Local Agency Investment Fund (LAIF) of the State of California. Investments are reported at fair value. The LAIF is operated in accordance with applicable state laws and regulations, and the reported value of the District's investment in the LAIF is the same as the fair value of the LAIF pool shares. State statutes authorize the District to invest in obligations of the U.S. Treasury, Federal Agency obligations, commercial paper, the LAIF and other instruments. The Trust Agreement underlying the issuance of the Installment Purchase Agreements authorize permitted investments consistent with the State of California Government Code but broader in scope than the District's usual investment practices.

***B. Classification***

Cash and investments are classified in the financial statements as shown below, based on whether or not their use is restricted, at June 30, 2019.

Cash available for District operations	\$ 178,292
Restricted cash and investments	31,771
Designated cash and investments	<u>586,384</u>
Total	<u>\$ 796,447</u>

**STINSON BEACH COUNTY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**June 30, 2019**

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**2. CASH AND INVESTMENTS (continued)**

The District's cash and investments consist of the following at June 30, 2019:

Cash and cash equivalents:		<u>Rating</u>
Cash on hand	\$ 278	N/A
Demand deposits	178,014	N/A
Local Agency Investment Fund (LAIF)	586,384	N/A
Debt service fund:		
Wells Fargo debt service fund Treasury money market	26,133	AAAm
Blackrock debt service T-Fund	<u>5,638</u>	AAAm
Total	<u>\$ 796,447</u>	

***C. Collateralization of Cash and Cash Equivalents***

California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the District's cash on deposit or first trust deed mortgage notes with a value of 150% of the District's cash on deposit as collateral for these deposits. Under California Law this collateral is held in an investment pool by an independent financial institution in the District's name and places the District ahead of general creditors of the institution pledging the collateral. The District has waived collateral requirements for the portion of deposits covered by federal deposit insurance.

***D. Interest Rate and Credit Risk***

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Normally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

The District is a 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. The District reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are maintained on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations. At June 30, 2019, these investments matured in an average of 6 months.

The District invests in Wells Fargo Advantage Treasury money market funds and Blackrock Provident institutional T-Fund which are available for withdrawal on demand.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. None of the District's investments were invested in specific securities. All monies in the LAIF, Blackrock Provident, and Wells Fargo Advantage are not evidenced by specific securities; and therefore, are not subject to custodial credit risk.



**STINSON BEACH COUNTY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**June 30, 2019**

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**2. CASH AND INVESTMENTS (continued)**

***E. Restricted Cash and Investments***

The District has the following restrictions on cash and investments:

*Restricted for Debt Service* - The District has moneys held by Wells Fargo Bank and Union Bank of California as trustees, pledged to the payment or security of its outstanding bond issues. All transactions associated with debt service are administered by these trustees. The cash and investment amount for June 30, 2019 is \$31,771.

***F. Board Designated Investments***

*Designated for Construction in Progress* – The District has designated investments for acquisition, construction and re-construction of District capital assets. As of June 30, 2019, the amount designated for construction in progress is \$185,790.

*Designated for Emergency Reserves* – The District has designated reserves for emergencies in which the District would need to repair or purchase District assets. As with operational reserves, the District may add funds at any time, not to exceed 100% of the annual operating budget. As of June 30, 2019, the amount designated for emergency reserves is \$400,594.

**3. CAPITAL ASSETS**

***A. Summary***

Capital assets, which include property, plant, equipment, and infrastructure assets (mainly the existing water system) are reported in the financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets and assets constructed by developers are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed net of construction period interest revenues earned during such periods.

The purpose of depreciation is to spread the cost of utility plant assets equitably among all customers over the life of these assets, so that each customer's bill includes a pro rata share of the cost of these assets. The amount charged to depreciation expense each year represents that year's pro rata share of utility plant cost.

Depreciation of all utility plant in service is charged as an expense against operations each year and the total amount of depreciation taken over the years, called accumulated depreciation, is reported on the balance sheet as a reduction in the book value of the utility plant assets.

**STINSON BEACH COUNTY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**June 30, 2019**

**3. CAPITAL ASSETS (continued)**

Depreciation of utility plant in service is provided using the straight-line method, which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated. The District has assigned the useful lives listed below to utility plant assets:

Assets	Years
Transmission and treatment plant	25 – 75
Buildings and storage facilities	40
Vehicles and trucks	5 – 10

**B. Additions and Retirements**

Capital asset activity for the year ended June 30, 2019 was as follows:

	Balance at June 30, 2018	Additions	Retirements	Transfers & Adjustments	Balance at June 30, 2019
Capital assets not being depreciated					
Land	\$ 49,240	\$ -	\$ -	\$ -	\$ 49,240
Construction in progress	791,152	757,648	(58,893)	(794,767)	695,140
Total capital assets not being depreciated	840,392	757,648	(58,893)	(794,767)	744,380
Capital assets being depreciated					
Buildings and structures	2,651,526	-	-	-	2,651,526
Pipelines and improvements	4,553,354	915	-	575,386	5,129,655
Tanks	2,077,823	-	-	214,117	2,291,940
Hydrants and valves	144,136	-	-	5,264	149,400
Vehicles and equipment	547,146	-	-	-	547,146
Total capital assets being depreciated	9,973,985	915	-	794,767	10,769,667
Less accumulated depreciation:					
Buildings and structures	698,545	70,633	-	-	769,178
Pipelines and improvements	1,853,976	169,178	-	-	2,023,154
Tanks	531,298	40,291	-	-	571,589
Hydrants and valves	82,859	6,040	-	-	88,899
Vehicles and equipment	361,994	26,601	-	-	388,595
Total accumulated depreciation	3,528,672	\$ 312,743	\$ -	\$ -	3,841,415
Net capital assets being depreciated	6,445,313				6,928,252
Total capital assets, net	\$ 7,285,705				\$ 7,672,632

**STINSON BEACH COUNTY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**June 30, 2019**

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**4. LONG-TERM DEBT**

***A. Compositions and Changes***

The District generally incurs long-term debt to finance projects or purchase assets, which will have useful lives equal to or greater than the related debt. The District's debt issues and transactions are summarized below and discussed in detail thereafter.

	<u>Maturity Date</u>	<u>Interest Rates</u>	<u>Balance June 30, 2018</u>	<u>Additions (Retirements)</u>	<u>Balance June 30, 2019</u>
State Loans	7/1/2025	2.39%	\$ 166,697	(22,151)	144,546
2013 Water Revenue Refunding Bond	10/1/2032	3.47%	<u>1,361,680</u>	<u>(142,064)</u>	<u>1,219,616</u>
Total			<u>1,528,377</u>	<u>(187,300)</u>	<u>\$ 1,364,162</u>
Long-term debt due within one year					\$ 167,660
Long-term debt due in more than one year					<u>1,196,502</u>
					<u>\$ 1,364,162</u>

***B. Description of the District's Long Term Debt Issues***

*State Loans*

The District entered into a loan agreement with the State Department of Water Resources for the purpose of obtaining construction financing for water system improvements. The loan is secured by a pledge of water revenues. The loan was for \$411,500, bears interest at 2.39 percent and matures July 1, 2025.

*2013 Water Revenue Refunding Bonds*

In fiscal year 2013, the District authorized the issuance of the Refunding Bonds in the principal amount of \$1,997,614. The bond refunded the Installment Agreement with ABAG and CSCDA. The bond bears interest at 3.47 percent and is payable in semi-annual payments each April 1st and October 1st through October 1, 2032. Principal payments are due each October 1st.

**STINSON BEACH COUNTY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**June 30, 2019**

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**4. LONG-TERM DEBT (continued)**

***C. Debt Service Requirements***

Annual debt service requirements are shown below for the above debt issues:

<u>Payments due in fiscal year ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 167,660	43,125	210,785
2020	170,956	37,502	208,458
2021	174,094	31,772	205,866
2022	97,110	27,330	124,440
2023	101,433	24,155	125,588
2025 – 2029	435,416	74,917	510,333
2030 – 2033	217,493	15,351	232,844
	<u>\$ 1,364,162</u>	<u>\$ 254,152</u>	<u>\$ 1,618,314</u>

**5. NET POSITION**

Net Position is the excess of all the District's assets and deferred outflows over all its liabilities and deferred inflow of resources, regardless of fund. Net Position are divided into three captions. These captions apply only to Net Position and are described below:

Net investment in Capital Assets describes the portion of Net Position which is represented by the current net book value of the District's capital assets, less the outstanding balance of any debt issued to finance these assets.

Restricted describes the portion of Net Position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the District cannot unilaterally alter. These principally include developer fees received for use on capital projects and debt service requirements.

Unrestricted describes the portion of Net Position which is not restricted to use.

During the year ended June 30, 2019, unrestricted net position in the Water Fund decreased from negative \$401,081 to a negative \$878,532, a decrease of \$477,451. This was the result of the Laurel Tank Coating and Painting project, which incurred costs of \$577,243 during fiscal 2019.

**STINSON BEACH COUNTY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**June 30, 2019**

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**6. RETIREMENT PLAN**

***A. General Information about the Pension Plan***

*Plan Descriptions*

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, 2017 Annual Actuarial Valuation Report. This report is a publically available valuation report that can be obtained at CalPERS' website under Forms and Publications. All qualified permanent and probationary employees are eligible to participate in the District's separate Miscellaneous Employee Pension Plans, cost-sharing multiple employer 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 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: The Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

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

	Miscellaneous	
	Prior to January 1, 2013	On or after January 1, 2013
Hire Date		
Benefit formula	2.7% @ 55	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Minimum retirement age	50	52
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.0% to 2.5%

**STINSON BEACH COUNTY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**June 30, 2019**

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**6. RETIREMENT PLAN (continued)**

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS' annual actuarial valuation process. The Plan's actuarially determined rate is based on the estimated amount necessary to pay the costs of benefits earned by employees during the year, with an additional amount to pay any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the measurement period ended June 30, 2018 (the measurement date), the active employee contribution rate is 6.533 percent of annual pay, and the average employer's rate is 11.049 percent of annual payroll.

For the year ended June 30, 2019, the contributions recognized as part of pension expense for each Plan were as follows:

	Miscellaneous Plan
Employer Contributions – Classic Plan	\$ 75,889
Employer Contributions - PEPR	8,148
	\$ 84,037

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

The following table shows the Plan's proportionate share of the risk pool collective net pension liability over the measurement period.

	Proportionate Share of Net Pension Liability	Miscellaneous
Balance at: 6/30/17 - Measurement date	\$ 1,560,437	0.03958%
Balance at: 6/30/18 – Measurement date	1,499,545	0.03978%
Total Net Change 2017 – 2018	\$ (60,892)	

The District's net pension liability of \$1,499,545 is measured as the proportionate share of the net pension liability of \$3,768,713,117 (or 0.03978%). The net pension liability is measured as of June 30, 2018, and the total pension liability was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

For the year ended June 30, 2019, the District recognized pension revenue of \$17,025 for the Plan. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**STINSON BEACH COUNTY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**June 30, 2019**

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**6. RETIREMENT PLAN (continued)**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 210,783	\$ -
Differences between actual and expected experience	57,535	(19,579)
Changes in assumptions	170,953	(41,897)
Difference between projected and actual earnings on pension plan investments	7,413	-
Difference between contribution and proportionate share of contributions	73,993	-
Adjustment due to differences in proportions	30,566	(75,215)
Total	\$ 551,233	\$ (136,691)

Of the \$551,233 reported as deferred outflows of resources, \$210,783 is related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ended June 30:	Deferred Outflows (Inflows) Of Resources
2020	171,267
2021	99,741
2022	(53,761)
2023	(13,488)
Thereafter	-

The amounts above are the net of outflows and inflows recognized in the fiscal 2018 measurement period.

*Actuarial Methods and Assumptions Used to Determine Total Pension Liability*

For the measurement period ending June 30, 2018 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2017 total pension liability. Both the June 30, 2017 total pension liability and the June 30, 2018 total pension liability were determined using the following actuarial methods and assumptions:

**STINSON BEACH COUNTY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**June 30, 2019**

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**6. RETIREMENT PLAN (continued)**

	Miscellaneous
Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Projected Salary Increase	Varies by entry age and service
Investment Rate of return	7.15%
Mortality Rate Table <sup>1</sup>	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies. 2.50% thereafter

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

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 period of projected benefit payments to determine the total pension liability.

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 best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.



**STINSON BEACH COUNTY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**June 30, 2019**

**6. RETIREMENT PLAN (continued)**

*Discount Rate (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 returns were calculated over the short-term (first 10 years) and the long-term (11-60 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 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 equivalent to the single equivalent rate calculated above and adjusted to account for administrative expenses.

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

Allocation by Asset Class	New Strategic Allocation	Real Return Years 1 – 10 (a)	Real Return Years 11+ (b)
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	—	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real assets	13.0%	3.75%	4.93%
Liquidity	1.0%	—	-0.92%
Total	100.00%		

- (a) An expected inflation of 2.00% was used for this period.
- (b) An expected inflation of 2.92% was used for this period.

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

The following presents the District's proportionate share of the net pension liability, calculated using the discount rate of 7.15 percent, as well as what the District's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (6.15%) or 1-percentage point higher (8.15%) than the current rate:

	Discount Rate -1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate +1% (8.15%)
Plan's Net Pension Liability (Asset)	\$ 2,207,403	\$ 1,499,545	\$ 915,220

***Pension Plan Fiduciary Net Position*** – Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

**STINSON BEACH COUNTY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**June 30, 2019**

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**7. OTHER POST-EMPLOYMENT BENEFITS**

***A. Plan Description***

The Stinson Beach County Water District administers the District's Retired Employees' Healthcare plan, a single employer defined benefit health care plan. The plan provides medical benefits to eligible retired District employees and their beneficiaries. The District's plan is affiliated with the State of California PERS in so far as the District health insurance premium payments are paid to the PERS. The PERS through an aggregation of single-employer plans pools administrative functions in regard to purchases of commercial health care policies and coverage. Employees do not get medical or dental upon retirement, unless purchased.

Effective June 27, 2017, the District joined the California Employers' Retiree Benefit Trust (CERBT) in order to pre-fund the retiree medical costs. The objective of the CERBT is to seek favorable returns that reflect the broad investment performance through asset allocation. The employers who participate in the CERBT own units of the fund's portfolio, which is invested in accordance with the approved strategic asset allocation; they do not have direct ownership of the securities in the portfolio. The unit value changes with market conditions. The CERBT is a self-funded program, in which the participating employers pay the program costs. The cost charged to participating employers is based on the average daily balance of assets. CalPERS issues a separate CAFR. Copies of the CERBT's annual financial report may be obtained from its Affiliate Program Services Division at 400 Q Street, Sacramento, CA 95811.

***B. Employees Covered***

As of June 30, 2017 actuarial valuation, the following current and former employees were covered by the benefit terms under the plan:

Active employees	8
Inactive employees or beneficiaries currently receiving benefits	2
Inactive employees entitled to, but not yet receiving benefits	<u>1</u>
Total	<u>11</u>

***C. Contributions***

The District's plan and its contribution requirements are established by District resolutions and regulations. The District paid \$239 a month for the first 6 months of fiscal 2018-19 and \$258 a month for retiree health insurance, which increases 3 percent every year and caps out in about seven years. The retiree pays the remaining amount. The annual contribution to the CERBT trust is based on the actuarially determined contribution. For the fiscal year June 30, 2019, the District's cash contributions were \$34,000 to the CERBT Trust and the implied subsidy was \$2,987, resulting in total payments of \$36,987.

**STINSON BEACH COUNTY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**June 30, 2019**

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**7. OTHER POST-EMPLOYMENT BENEFITS (continued)**

***D. Net OPEB Liability***

The District's Net OPEB Liability was measured on June 30, 2018 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation dated June 30, 2017 based on the following actuarial methods and assumptions:

Actuarial Assumptions:

Discount Rate	6.73%, based on CERBT Strategy 2 investment policy
Net Investment Return	6.73%, based on CERBT Strategy 2 investment policy
Inflation	2.26% annually
Payroll Increases	3.25% annually
Healthcare trend	Pre-65, 7.70% in 2019, tapering to 5.00% in 2030 Post-65, 5.20% in 2019, 5.00% thereafter
Plan Distribution for	Kaiser – 90%
Calculating Baseline Cost	PERS Choice – 10%
Baseline Cost	Pre-Medicare: \$9,150 per year Post-Medicare: \$3,751 per year
Administrative Expenses	No administrative fees other than those included in the premium rates.
Health Plan Participation	100% of eligible participants
Medicare Coverage	All future retirees will be eligible at age 65
Morbidity Factors	CalPERS 2013 study
Population for Curving	CalPERS 2013 study
Age-Weighted Claims	Ranges from \$3,423 to \$13,366 depending on age. Gender is not a
Costs	factor.
Mortality	Based on the most recent CalPERS valuations from 2014
Disability	Not valued
Percent Married	Not applicable
Retirement	Rate are from the most recent CalPERS Public Agency Miscellaneous 2.7% @ 55 for actives hired before January 1, 2013, and 2% @ 62 for active hired on or after January 1, 2013.

The average per capita claims cost was updated to reflect actual 2017 premiums, the health care cost trend rates were updated to reflect 2018 industry survey data, the mortality table was updated to reflect the most recent CalPERS studies, and the discount rate was updated to reflect contributions to the CERBT Trust.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

**STINSON BEACH COUNTY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**June 30, 2019**

**7. OTHER POST-EMPLOYMENT BENEFITS (continued)**

<u>Investment Class</u>	<u>Target Allocation</u>	<u>Long-term expected real rate of return</u>
Equity	43.00%	5.43%
Fixed Income	49.00%	1.63%
REITs	<u>8.00%</u>	5.06%
Total	<u>100%</u>	

**E. Discount Rate**

The discount rate used to measure the total OPEB liability was 6.73 percent, and is based on a blend of (a) the long-term expected rate of return on assets for benefits covered by plan assets and a yield or index for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or better for benefits not covered by plan assets.

**F. Changes in the OPEB Liability**

	<u>Increase (Decrease)</u>		
	<u>Total OPEB Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net OPEB Obligation (Asset) = (a) - (b)</u>
Balance at June 30, 2017 (Measurement date) <i>(Valuation date June 30, 2017)</i>	\$ 311,837	\$ 138,000	\$ 173,837
Changes recognized for the measurement period			
Service cost	8,956	-	8,956
Interest	21,284	-	21,284
Net investment income	-	8,246	(8,246)
Employer contributions	-	43,232	(43,232)
Difference between expected and actual experience	(1,769)	-	(1,769)
Benefit payments to retirees	(9,232)	(9,232)	-
Administrative expense	-	(72)	72
Net changes	<u>19,239</u>	<u>42,174</u>	<u>(22,935)</u>
Balance at June 30, 2018 (Measurement date) <i>(Valuation date June 30, 2017)</i>	<u>\$ 331,076</u>	<u>\$ 180,174</u>	<u>\$ 150,902</u>

**STINSON BEACH COUNTY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**June 30, 2019**

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**7. OTHER POST-EMPLOYMENT BENEFITS (continued)**

***G. Sensitivity of the Net OPEB Liability to the Changes in the Discount Rate***

The following presents the Net OPEB Liability of the Agency if it were calculated using a discount rate that is one percentage point higher or lower than the current discount rate, for the measurement period ended June 30, 2018:

	1% Decrease (5.73%)	Current Discount Rate (6.73%)	1% Increase (7.73%)
Net OPEB Liability	\$ 199,933	\$ 150,902	\$ 110,352

***H. Sensitivity of the Net OPEB Liability to the Changes in the Health Care Cost Trend Rates***

The following presents the net OPEB liability of the District if it were calculated using health care cost trend rates that are one percentage point higher or lower than the current rate, for the measurement period ended June 30, 2018:

	1% Decrease	Current Trend Rate	1% Increase
Net OPEB Liability	\$ 105,917	\$ 150,902	\$ 206,264

***I. OPEB Plan Fiduciary Net Position***

CERBT issues a publicly available financial report that may be obtained from CalPERS, Prefunding Programs, CERBT (OPEB), P.O. Box 1494, Sacramento, CA 95812-1494.

***J. Recognition of Deferred Outflows and Deferred Inflows of Resources***

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time.

Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.

The actuary used straight-line amortization. For assumption changes and experience gains/losses, they assumed Average Future Working Lifetime, averages over all actives and retirees (retirees are assumed to have no future working years). For asset gains and losses, the actuaries assumed five years.

**STINSON BEACH COUNTY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**June 30, 2019**

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**7. OTHER POST-EMPLOYMENT BENEFITS (continued)**

***K. OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB***

For the year ended June 30, 2019, the District recognized OPEB expense (revenue) of \$(34,142). At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 36,987	\$ -
Changes in assumptions	-	(229,492)
Differences between expected and actual experience	-	(1,530)
Net differences between projected and actual earnings on plan investments	4,471	-
Total	\$ 41,458	\$ (231,022)

Of the \$41,458 reported as deferred outflows of resources, \$36,987 related to contributions subsequent to the measurement date that will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as OPEB expense as follows:

Fiscal Year Ending:	Deferred Outflows/(Inflows) of Resources
2020	(47,554)
2021	(47,554)
2022	(47,556)
2023	(48,469)
2024	(35,083)
Thereafter	(335)

**STINSON BEACH COUNTY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**June 30, 2019**

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**8. RISK MANAGEMENT**

The District obtains general liability, property, automobile, and workers compensation insurance through its membership in the Association of California Water Agencies Joint Powers Insurance Authority. The Authority is responsible for the first \$5,000,000 per claim under its liability coverage program, and members are covered up to \$65 million for liability claims under the Authority's purchased excess insurance policies. Members are covered for \$100 million in regard to property and equipment through the Authority's purchased excess coverage. Workers compensation coverage is provided to the District equal to statutory limits. The Authority also provides automobile liability coverage and errors and omissions coverage up to \$60 million, and employee fidelity coverage up to \$1,000,000. The District paid no material uninsured losses during the last three fiscal years.

The following is a summary of the insurance policies in force carried by the District as of June 30, 2018.

<u>Type of Coverage</u>	<u>Limits</u>	<u>Deductible</u>
General Liability	\$ 65,000,000	None
Auto Liability	65,000,000	None
Public Officials Liability	65,000,000	None
Property	500,000,000	\$ 500 – 50,000
Fidelity	1,000,000	1,000
Workers' Compensation	Statutory	None

Liabilities of the District are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards.

Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. There were no material uninsured claim liabilities at June 30, 2019.

**9. GRANT AGREEMENT**

In July 2015, the Association of Bay Area Governments (ABAG) and the Department of Water Resources (DWR) entered into an agreement awarding ABAG state grants to help fund 11 local, subregional, and regional projects within the San Francisco Bay Area IRWM region (Work Plan). The District is a subrecipient of those grant funds and is responsible for completion of their portion of the Work Plan, which is the Stinson Beach Water Supply and Drought Preparedness Plan. It is anticipated that total funds received from ABAG will amount to \$937,452.

As part of the Work Plan, the District expends funds and requests quarterly reimbursements from ABAG. As of June 30, 2019, the District had requested the full amount from ABAG, and had received \$890,332. The remaining \$47,120 is 5% retention on all fund requests. The full amount of \$47,120 was received subsequent to June 30, 2019.

**STINSON BEACH COUNTY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**June 30, 2019**

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**10. COMMITMENT AND CONTINGENT LIABILITIES**

***A. Litigation***

In the normal course of business, the District is subject to various claims, lawsuits, and settlements. Management does not anticipate these costs will have a material adverse impact on the accompanying financial statements.

**11. SUBSEQUENT EVENTS**

Management has evaluated events through the date of the audit opinion, the date on which these financial statements were available to be issued. No events that would require additional disclosure came to their attention.



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## **REQUIRED SUPPLEMENTARY INFORMATION**

**Stinson Beach County Water District  
Required Supplementary Information  
For the Year ended June 30, 2019**

Schedule of Proportionate Share of Net Pension Liability  
Last 10 Years\*

	Fiscal Year Ending June 30,				
	2019	2018	2017	2016	2015
Measurement date	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
Plan's proportion of the Net Pension Liability (Asset)	0.015562%	0.015735%	0.01617%	0.01748%	0.01703%
Plans Proportionate Share of the Net Pension Liability (Asset)	\$ 1,499,545	\$ 1,560,437	\$ 1,399,036	\$ 1,200,034	\$ 1,059,872
Plan's Covered-Employee Payroll	\$ 766,730	\$ 766,730	\$ 720,778	\$ 710,354	\$ 635,273
Plan's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	195.58%	203.52%	194.10%	168.93%	166.84%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	71.34%	69.16%	69.15%	70.90%	73.52%
Plan's Proportionate Share of Aggregate Employer Contributions	\$ 142,207	\$ 132,397	\$ 116,787	\$ 155,547	\$ 146,229

\* Fiscal year ending June 30, 2015 was the first year of implementation, therefore only four years are shown.

**Stinson Beach County Water District  
Required Supplementary Information  
For the Year ended June 30, 2019**

Schedule of Pension Plan Contributions  
Last 10 Years\*

	Fiscal Year Ending June 30,				
	2019	2018	2017	2016	2015
Actuarially Determined Contributions	\$ 190,129	\$ 176,700	\$ 116,787	\$ 155,547	\$ 146,229
Contributions in relation to the actuarially determined contribution	<u>(190,129)</u>	<u>(176,700)</u>	<u>(116,787)</u>	<u>(155,547)</u>	<u>(146,229)</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 766,730	\$ 766,730	\$ 720,778	\$ 710,354	\$ 635,273
Contributions as a percentage of covered-employee payroll	24.80%	23.05%	16.20%	21.90%	23.02%

**Notes to Schedule:**

Valuation Date:

June 30, 2018

Methods and assumptions used to determine contribution rates:

Actuarial cost method  
Amortization method  
Asset valuation method  
Inflation  
Salary increase  
Investment rate of return  
Mortality rate table  
Post Retirement benefit increase

Entry age normal cost method  
Level percent of payroll  
Actuarial value of assets  
2.50%  
Varies by age and service  
7.15%  
Derived using CalPERS' Membership Data for all  
Contract COLA up to 2.50% until Purchasing Power  
Protection Allowance Floor on Purchasing Power  
applies.

\* Fiscal year ending June 30, 2015 was the first year of implementation, therefore only four years are shown.

**STINSON BEACH COUNTY WATER DISTRICT**  
**Required Supplementary Information**  
**For the Year Ended June 30, 2019**

Schedule of Changes in the Net OPEB Liability and Related Ratios  
For the Measurement Period Ended June 30,

	2018	2017
<b>Total OPEB Liability</b>		
Service cost	\$ 8,956	\$ 26,222
Interest on the OPEB liability	21,284	17,851
Change of assumptions	-	(326,816)
Differences between expected and actual experience	(1,769)	-
Benefits paid to retirees	(9,232)	(11,030)
<b>Net change to total OPEB liability</b>	19,239	(293,773)
<b>Total OPEB Liability - beginning</b>	311,837	605,610
<b>Total OPEB Liability - ending</b>	(a) \$ 331,076	\$ 311,837
 <b>Plan Fiduciary Net Position</b>		
Employer contributions	\$ 43,232	\$ 149,030
Net investment income	8,246	-
Administrative expense	(72)	-
Benefits paid to retirees	(9,232)	(11,030)
<b>Net change to plan fiduciary net position</b>	42,174	138,000
<b>Plan fiduciary net position- beginning</b>	138,000	-
<b>Plan fiduciary net position- ending</b>	(b) 180,174	138,000
 <b>Net OPEB Liability - ending</b>	(a) - (b) \$ 150,902	\$ 173,837
 Plan fiduciary net position as a percentage of the total OPEB liabi	54.42%	44.25%
 Covered-employee payroll	766,730	Not available
 Plan net OPEB liability as a percentage of covered-employee payroll	19.68%	Not available

**STINSON BEACH COUNTY WATER DISTRICT**

**Schedule of OPEB Contributions**

**Last Ten Fiscal Years<sup>1</sup>**

	<u>2019</u>	<u>2018</u>
Fiscal Year Ended June 30,		
Actuarially determined contributions (ADC)	\$ 21,243	\$ 39,669
Contributions in relation to the ADC	<u>(43,232)</u>	<u>(149,030)</u>
Contributions deficiency (excess)	<u><b>(21,989)</b></u>	<u><b>(109,361)</b></u>
Covered-employee payroll	766,730	Not available
Contributions as a percentage of covered-employee payroll	5.64%	Not available

**Notes to schedule:**

<sup>1</sup> Historical information is required only for measurement periods for which GASB No. 75 is applicable. Future years' information will be displayed, up to 10 years, as information becomes available.

**Methods and assumptions used to determine contribution:**

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	Level percent of payroll
Inflation	2.0% annually
Long-term investment rate of return	6.73%
Discount rate	6.73%
Healthcare cost-trend rates	Pre-65, 7.70% in 2019, tapering to 5.0% by 2030 Post-65, 5.2% in 2019, 5.0% thereafter
Payroll growth	3.25% annually
Coverage elections	100% of eligible employees assumed to elect coverage upon retirement, remaining covered for life.
Mortality	CalPERS 2014 Mortality pre-retirement CalPERS 2014 Mortality post-retirement
Retirement rates	Actives hired before January 1, 2013: taken from most recent CalPERS Public Agency Miscellaneous 2.7% @ 55 Actives on or after January 1, 2013: taken from most recent CalPERS Public Agency Miscellaneous 2% @ 62
Turnover (withdrawal)	Taken from most recent CalPERS Public Agency Miscellaneous valuations.





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**STINSON BEACH COUNTY WATER DISTRICT**

**BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2018**

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**STINSON BEACH COUNTY WATER DISTRICT  
BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2018**

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## Independent Auditors' Report

To the Board of Directors  
Stinson Beach County Water District

We have audited the accompanying financial statements of the business-type activities of each major fund of Stinson Beach County Water District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Stinson Beach County Water District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Stinson Beach County Water District's 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 opinions 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of each major fund of Stinson Beach County Water District, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Change in Accounting Principle**

As discussed in Note 11 to the financial statements, in 2018 the District adopted new accounting guidance, GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 – 8, Schedule of the District's Proportionate Share of the Net Pension Liability on page 36, Schedule of the District's Pension Plan Contributions on page 37, Schedule of Changes in the OPEB Liability and Related Ratios on page 38, and Schedule of OPEB Contributions on page 39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

  
CROPPER ACCOUNTANCY CORPORATION

Walnut Creek, California

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Stinson Beach County Water District's annual financial report presents a discussion and analysis of the District's financial performance during the year that ended on June 30, 2018.

### FINANCIAL HIGHLIGHTS

- For the fiscal year ended June 30, 2018, the District continues with the provisions of GASB Statement No. 68 and implemented Statement No. 75. This resulted in deferred inflows of \$300,830 and deferred outflows of \$521,481. The net position of the District's business-type activities decreased in fiscal 2018 by \$204,069 compared to the net position of the District at June 30, 2017.
- Total operating expenses for 2018 increased by about \$633,616. The reason for the increase is because the prior year payments for CalPERS pension shown as a deferred outflow asset on the 2017 financial statements was reversed to expense in the current year.
- The District's operating revenues from business-type activities in 2018 increased by a net \$75,122 compared to 2017 as a result of higher water usage and leaks.
- The District in 2018 increased its capital assets by a net \$505,609 (after depreciation) as a result of additions from construction of the new water lines and for a new well design.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – *management's discussion and analysis* (this section), *the basic financial statements*, and *required supplementary information*. The basic financial statements include one kind of statements that present both a short-term and long-term view of the District.

- *Proprietary* enterprise fund-type statements offer *short-* and *long-term* financial information about the activities that the District operates *like businesses*, such as the District's water treatment and distribution system and wastewater septic permitting and monitoring programs.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that provides more data about the District's pension plan.

Figure A-1 summarizes the major features of the District's financial statements, including the portion of the District they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**FIGURE A-1 Major Financial Statement Features**

	<b>Basic Financial Statements</b>
Scope	Activities the District operates similar to private businesses; the water and wastewater systems
Required financial statements	Statement of net position Statement of revenues, expenses, and changes in net position . Statement of cash flows.
Accounting basis and measurement focus	Accrual accounting and economic measurement focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term focus
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received

### **Basic Financial Statements**

The basic financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes *all* the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of revenues, expenses, and changes in net position regardless of when cash is received or paid.

The basic financial statements report the District's *net position* and how it has changed. Net position – the difference between the District's assets and liabilities – is one way to measure the District's financial health, or *position*.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.

The basic financial statements of the District consist of one category:

- *Business-type activities* – The District charges fees to help it cover the costs of certain services it provides. All of the District's operations are accounted for in this category. *The District uses proprietary enterprise fund type accounting principles to account for all operations.* Proprietary accounting provides both long-and short-term financial information.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

**Net Position.** The District's *combined* net position decreased by \$204,069 between years 2017 and 2018. (See Table A-1.)

**TABLE A-1 NET POSITION OF THE DISTRICT (In Rounded Dollars)**

	Business-Type Activities		Increase (decrease)	
	June 30			
	2018	2017	Amount	%
Current and other assets	\$ 1,470,268	\$ 1,762,618	(\$292,350)	-16.6%
Capital assets	7,285,705	6,780,096	505,609	7.5%
Deferred outflows of resources	521,481	727,363	(205,882)	-28.3%
<b>Total assets and deferred outflows of resources</b>	<b>9,277,454</b>	<b>9,270,077</b>	<b>7,377</b>	<b>0.1%</b>
Current and other liabilities	540,963	358,654	182,309	50.8%
Long-term debt outstanding	1,364,162	1,528,377	(164,215)	-10.7%
Accrued pension liability	1,560,437	1,399,036	161,401	11.5%
Deferred inflows of resources	300,830	268,879	31,951	11.9%
<b>Total liabilities and deferred inflows of resources</b>	<b>3,766,392</b>	<b>3,554,946</b>	<b>211,446</b>	<b>5.9%</b>
Net position (Note 5):				
Net investment in capital assets	5,757,328	5,064,419	692,909	13.7%
Restricted	31,149	29,084	2,065	7.1%
Unrestricted	(277,415)	621,628	(899,043)	144.6%
<b>Total net position</b>	<b>\$ 5,511,062</b>	<b>\$ 5,715,131</b>	<b>(\$204,069)</b>	<b>-3.6%</b>

Net position of the District in 2018 decreased about 3.6% compared to the 2017 fiscal year for a total of about \$5,511,062.

The 7.5% increase in capital assets in 2018 results primarily from repairs to the water tanks and a new well.

Total liabilities and deferred inflows of the District increased by \$211,446 in fiscal year 2018. This resulted from the Governmental Accounting Standards Board Statement No. 75.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

**Changes in net position.** The District's total revenues in fiscal year 2018 increased an overall \$255,312 due to charges for services, increased property taxes, and pension expense as revenue.

About 49 percent of the District's revenue comes from charges for services in the form of the sale of water and wastewater permitting and monitoring fees. The remaining 51 percent comes primarily from property taxes, a small amount from interest and grant revenues.

The total cost of all programs and services in fiscal 2018 increased to about \$2.2 million, a \$633,616 increase compared to a \$449,945 decrease in 2017. During 2018, we allocated the pension liability in a different manner.

**TABLE A-2 District's Revenues, Expenses and Changes in Net Position (In Rounded Dollars)**

	Business-Type Activities June 30		Increase (decrease)	
	2018	2017	Amount	%
<b>Revenue</b>				
Program Revenues:				
Charges for services	\$ 1,177,483	\$ 1,102,361	\$ 75,122	6.8%
Investment and other revenue	56,725	42,822	13,903	32.5%
General revenues - property taxes	1,093,170	1,012,187	80,983	8.0%
Grant revenues	59,528	397,611	(338,083)	100.0%
<b>Total revenues</b>	<b>2,386,906</b>	<b>2,554,981</b>	<b>(168,075)</b>	<b>-6.6%</b>
<b>Expenses</b>				
Salaries and benefits	1,145,826	1,085,822	60,004	5.5%
Board officer costs	13,950	13,900	50	0.4%
Professional services	301,277	241,013	60,264	25.0%
Other operating expenses	290,903	222,778	68,125	30.6%
Depreciation	262,966	263,038	(72)	0.0%
Interest on long-term debt	56,452	63,155	(6,703)	-10.6%
(Gain) Loss on disposal of assets	1,906	-	1,906	-
Pension expense (revenue)	161,477	(288,839)	450,316	-155.9%
Other nonoperating expenses	1,837	2,111	(274)	100.0%
<b>Total expenses</b>	<b>2,236,594</b>	<b>1,602,978</b>	<b>633,616</b>	<b>39.5%</b>
Change in net position before capital contributions	150,312	952,003	(801,691)	-84.2%
Capital connections	105,000	35,000	70,000	200.0%
Change in net position	255,312	987,003	(731,691)	-74.1%
Net position, beginning	5,715,131	4,728,128	987,003	20.9%
Prior period adjustment	(459,381)	-	-	-
<b>Net position, ending</b>	<b>\$ 5,511,062</b>	<b>\$ 5,715,131</b>	<b>\$ 255,312</b>	<b>4.5%</b>

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Table A-2 presents the cost of each of the District's largest functions, from an expense perspective—operating expenses, and depreciation on capital assets.

- The cost of all *District functional categories in 2018* was about \$2.2 million, about \$630,000 more than what was reported in the 2017 year.

Increases came about due to the reporting of the pension liability.

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

At the end of 2018, the District had invested \$7,285,705 (net of accumulated depreciation) in a broad range of capital assets, including land, treatment plant, distribution lines, pumping stations, improvements, vehicles and small equipment. (See Table A-3.) This amount represents a net increase (including additions and deductions) of about \$505,609 (7.5%).

**TABLE A-3 District Net Investment in Capital Assets (In Rounded Dollars)**

	Capital Assets June 30		Increase (decrease)	
	2018	2017	Amount	%
Land and construction in progress	\$840,392	\$553,360	\$287,032	51.9%
Building and structures	2,651,526	2,650,279	1,247	0.0%
Pipelines and improvements	4,553,354	4,532,328	21,026	0.5%
Tanks	2,077,823	1,655,457	422,366	25.5%
Hydrants and valves	144,136	144,136	-	0.0%
Equipment and vehicles	547,146	559,903	(12,757)	-2.3%
Accumulated depreciation	<u>(3,528,672)</u>	<u>(3,315,367)</u>	<u>(213,305)</u>	<u>6.4%</u>
Total	<u>\$7,285,705</u>	<u>\$6,780,096</u>	<u>\$505,609</u>	<u>7.5%</u>



## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

#### **This year's major capital assets additions included:**

- New potable water well, new well head at Alder Grove Well, coating and repairing of Highlands Tanks #1 and 2, new water lines, numerous leak repairs, new water meters, repair of office parking lot and new utility vehicle.

#### **Long-Term Debt**

The District has about \$2.70 million in long-term obligations outstanding. About \$1.3 million relates to the 2013 Water Revenue Bonds which refunded the installment agreements borrowed to make capital improvements. Another \$1.40 million relates to the new pension obligation. All debt service required payments were made when and as due in fiscal 2018. Additional information about the District's long-term obligations can be found in the notes to the financial statements.

### **ECONOMIC FACTORS AND NEXT YEAR'S OPERATING PLAN AND RATES**

- Expenses in 2019 are expected to increase by about \$500,000. Most of the expected increase is the capital purchase of infrastructure for the repairs and painting of the water tanks.
- The District expects to perform defensible space for increased fire safety and continue recoating and repairs of the District's water tanks.
- The District is not presently considering a water or wastewater increase during Fiscal Year 2019. Property values continue to increase. Further, the District will continue its efforts to seek grant funding for any major capital projects.

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, customers, and investors 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 General Manager, Stinson Beach County Water District, at 3785 Shoreline Highway, Stinson Beach, California, 94970.

# **FINANCIAL STATEMENTS**

**STINSON BEACH COUNTY WATER DISTRICT**  
**Statements of Net Position**  
**June 30, 2018**

	Water	Wastewater	Total
<b>Assets</b>			
<b>Current assets:</b>			
Cash (Note 2)	\$ 132,229	\$ 56,169	\$ 188,398
Receivables	63,858	22,688	86,546
Proposition 84 funds receivable (Note 9)	47,120	-	47,120
Inventory	34,493	-	34,493
Prepayments	11,900	3,217	15,117
Internal balances	(114,077)	114,077	-
Total	<u>175,523</u>	<u>196,151</u>	<u>371,674</u>
<b>Restricted cash and investments (Note 2):</b>			
Debt service	<u>31,149</u>	-	<u>31,149</u>
Total restricted cash and investments	<u>31,149</u>	-	<u>31,149</u>
<b>Designated cash and investments (Note 2):</b>			
Construction in progress	666,851	-	666,851
Emergency fund reserves	<u>400,594</u>	-	<u>400,594</u>
Total designated cash and investments	<u>1,067,445</u>	-	<u>1,067,445</u>
Total current assets	<u>1,274,117</u>	<u>196,151</u>	<u>1,470,268</u>
<b>Noncurrent assets:</b>			
<b>Capital assets (Note 3):</b>			
Construction in progress	212,453	-	212,453
Construction in progress - funded by grant	578,699	-	578,699
Land	49,240	-	49,240
Buildings	2,651,526	-	2,651,526
Distribution system	7,034,593	-	7,034,593
Vehicles	287,866	-	287,866
Less accumulated depreciation	<u>(3,528,672)</u>	-	<u>(3,528,672)</u>
Total capital assets, net	<u>7,285,705</u>	-	<u>7,285,705</u>
Total noncurrent assets	<u>7,285,705</u>	-	<u>7,285,705</u>
Total Assets	<u>8,559,822</u>	<u>196,151</u>	<u>8,755,973</u>
<b>Deferred outflows of resources</b>			
Pension (Note 6)	481,085	-	481,085
Other post employment benefits	<u>40,396</u>	-	<u>40,396</u>
Total deferred outflows of resources	<u>521,481</u>	-	<u>521,481</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 9,081,303</u>	<u>\$ 196,151</u>	<u>\$ 9,277,454</u>

**STINSON BEACH COUNTY WATER DISTRICT**  
**Statements of Net Position**  
**June 30, 2018**

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
<b>Liabilities</b>			
<b>Current liabilities:</b>			
Accounts payable	47,649	29,871	77,520
Compensated absences (Note 1.E.)	78,552	42,614	121,166
Deposits payable	4,225	-	4,225
Bonds, agreements and leases payable (Note 4)	<u>164,215</u>	<u>-</u>	<u>164,215</u>
<b>Total current liabilities</b>	<u>294,641</u>	<u>72,485</u>	<u>367,126</u>
<b>Noncurrent liabilities:</b>			
Bonds, agreements and leases payable (Note 4)	1,364,162		1,364,162
Net other post employment benefit obligation (Note 7.C.)	173,837	-	173,837
Accrued pension liability (Note 6)	<u>1,560,437</u>	<u>-</u>	<u>1,560,437</u>
<b>Total noncurrent liabilities</b>	<u>3,098,436</u>	<u>-</u>	<u>3,098,436</u>
<b>Total Liabilities</b>	<u>3,393,077</u>	<u>72,485</u>	<u>3,465,562</u>
<b>Deferred inflows of resources</b>			
Pension (Note 6)	22,676	-	22,676
Other post employment benefits	<u>278,154</u>	<u>-</u>	<u>278,154</u>
<b>Total deferred inflows of resources</b>	<u>300,830</u>	<u>-</u>	<u>300,830</u>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<u>3,693,907</u>	<u>72,485</u>	<u>3,766,392</u>
<b>Net position (Note 5):</b>			
Net investment in capital assets	5,757,328	-	5,757,328
Restricted for debt service	31,149	-	31,149
Unrestricted	<u>(401,081)</u>	<u>123,666</u>	<u>(277,415)</u>
<b>Total net position (deficit)</b>	<u>5,387,396</u>	<u>123,666</u>	<u>5,511,062</u>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position (deficit)</b>	<u>\$ 9,081,303</u>	<u>\$ 196,151</u>	<u>\$ 9,277,454</u>

**STINSON BEACH COUNTY WATER DISTRICT**  
**Statements of Revenues, Expenses, and Changes in Net Position**  
**For the Year Ended June 30, 2018**

Operating revenue:	Water	Wastewater	Total
Sale of water	\$ 688,816	\$ -	\$ 688,816
Water usage charge	-	-	-
Wastewater fees	-	349,463	349,463
Other operating revenues	44,432	94,772	139,204
<b>Total operating revenue</b>	<b>733,248</b>	<b>444,235</b>	<b>1,177,483</b>
<b>Operating expense:</b>			
Salaries and wages	517,226	261,115	778,341
Employee benefits	245,916	121,569	367,485
Board officers' costs	6,350	7,600	13,950
Professional services	133,849	167,428	301,277
Insurance	25,800	9,801	35,601
Miscellaneous outside services	88,738	7,305	96,043
Utilities	40,113	17,142	57,255
Office operations	60,137	16,555	76,692
Equipment maintenance and supplies	21,946	3,366	25,312
Depreciation (Note 3.B.)	262,966	-	262,966
<b>Total operating expense</b>	<b>1,403,041</b>	<b>611,881</b>	<b>2,014,922</b>
<b>Net Operating Income (loss)</b>	<b>(669,793)</b>	<b>(167,646)</b>	<b>(837,439)</b>
<b>Nonoperating revenue (expense):</b>			
Property taxes	842,839	265,057	1,107,896
Property tax collection fee	(14,726)	-	(14,726)
Interest expense	(56,452)	-	(56,452)
Pension revenue (expense)	(161,477)	-	(161,477)
Grant revenue - State	59,528	-	59,528
Zero waste compost bins	53	(1,890)	(1,837)
Interest and investment revenue	56,725	-	56,725
Gain (loss) on disposal of asset	(3,106)	1,200	(1,906)
Transfers from (to) other funds	(63)	63	-
<b>Net non-operating revenue</b>	<b>723,321</b>	<b>264,430</b>	<b>987,751</b>
<b>Income (loss) before capital contributions</b>	<b>53,528</b>	<b>96,784</b>	<b>150,312</b>
<b>Capital connection fees</b>	<b>105,000</b>	<b>-</b>	<b>105,000</b>
<b>Change in net position</b>	<b>158,528</b>	<b>96,784</b>	<b>255,312</b>
Net position (deficit) - beginning, as previously stated	5,688,249	26,882	5,715,131
Prior period adjustment - change in accounting principle (Note	(459,381)	-	(459,381)
Net position (deficit) - beginning, as restated	5,228,868	26,882	5,255,750
<b>Net position (deficit) - ending</b>	<b>\$ 5,387,396</b>	<b>\$ 123,666</b>	<b>\$ 5,511,062</b>

**STINSON BEACH COUNTY WATER DISTRICT**  
**Statements of Cash Flows**  
**For the Year Ended June 30, 2018**

	Water	Wastewater	Total
<b>Cash flows from operating activities:</b>			
Cash received from customers	\$ 687,243	\$ 353,147	\$ 1,040,390
Cash payments to suppliers	(328,852)	(204,132)	(532,984)
Payments to employees for services	(843,814)	(389,168)	(1,232,982)
Other operating receipts	44,432	94,772	139,204
Net cash used for operating activities	<u>(440,991)</u>	<u>(145,381)</u>	<u>(586,372)</u>
<b>Cash flows from noncapital financing activities:</b>			
Transfers from (to) other funds	(63)	63	-
Decrease in amounts due to other funds	114,077	(114,077)	-
Tax receipts	828,113	265,057	1,093,170
Net cash provided by financing activities	<u>942,127</u>	<u>151,043</u>	<u>1,093,170</u>
<b>Capital and related financing activities:</b>			
Principal retirement on long-term debt	(187,300)	-	(187,300)
Capital connections	105,000	-	105,000
Interest paid on long-term debt	(56,452)	-	(56,452)
Purchase of capital assets	(634,723)	1,200	(633,523)
Net cash provided by (used in) capital and related financing activities	<u>(773,475)</u>	<u>1,200</u>	<u>(772,275)</u>
<b>Cash flows from investing activities:</b>			
Grant revenue	228,766	(1,890)	226,876
Interest received on investments	56,725	-	56,725
Net cash provided by investing activities	<u>285,491</u>	<u>(1,890)</u>	<u>283,601</u>
Net increase (decrease) in cash and cash equivalents	13,152	4,972	18,124
<b>Cash and cash equivalents:</b>			
Beginning of year	119,077	51,197	170,274
End of year	<u>\$ 132,229</u>	<u>\$ 56,169</u>	<u>\$ 188,398</u>
<b>Reconciliation of net operating (loss) income to net cash provided by operating activities:</b>			
Net operating income (loss)	\$ (669,793)	\$ (167,646)	\$ (837,439)
Prior period adjustment	(459,381)	-	(459,381)
<b>Adjustments to reconcile net operating income to net cash provided by operating activities:</b>			
Depreciation	262,966	-	262,966
<b>Changes in assets/liabilities:</b>			
Restricted cash	(2,065)	-	(2,065)
Accounts receivable	492	3,684	4,176
Inventory	1,932	-	1,932
Prepayments	80	208	288
Accounts payable	37,494	17,257	54,751
Accrued expenses	2,225	-	2,225
Compensated absences	(18,306)	1,116	(17,190)
Net OPEB obligation	165,608	-	165,608
GASB 68 effect on pension expense	(1)	-	(1)
GASB 75 effect on OPEB expense	237,758	-	237,758
Net cash used for operating activities	<u>\$ (440,991)</u>	<u>\$ (145,381)</u>	<u>\$ (586,372)</u>

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## **NOTES TO THE FINANCIAL STATEMENTS**



**STINSON BEACH COUNTY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**June 30, 2018**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***A. General***

The Stinson Beach County Water District was formed in 1962, pursuant to the approval of voters in an election, and it is governed by an elected five-member Board of Directors. The District's service area includes the unincorporated community of Stinson Beach, California. The accompanying financial statements present the District and its component units, entities for which the District is considered to be financially accountable. The District has no component units.

The District obtains its water supply primarily from the collection, storage, and treatment of runoff from natural stream sites and underground wells. Wastewater activities include the inspection, permitting, and monitoring of septic systems due to obligations imposed upon the District by the State Legislature when it created the Stinson Beach Wastewater Management District.

***B. Financial Reporting Entity***

The accompanying basic financial statements of the District reflect only its own activities; it has no component units (other government units overseen by the District).

***C. Basis of Accounting***

The District is a proprietary entity; it uses an enterprise fund format to report its activities for financial statement purposes. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs and expenses, including depreciation, of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

An enterprise fund is used to account for activities similar to those in the private sector, where the proper matching of revenues and costs is important and the full accrual basis of accounting is required. With this measurement focus, all assets and all liabilities of the enterprise are recorded on its balance sheet, all revenues are recognized when earned and all expenses, including depreciation, are recognized when incurred. Enterprise fund equity includes retained earnings and contributed capital.

The proprietary funds apply all applicable Governmental Accounts Standards Board (GASB) pronouncements.

***D. Property Taxes***

Property tax revenue is recognized in the fiscal year for which the tax is levied. The Marin County levies, bills and collects property taxes for the District; all material amounts are collected by June 30.

Secured and unsecured property tax is due in two installments on November 1 and February 1, becomes a lien on January 1, and becomes delinquent on December 10 and April 10, respectively. Delinquent accounts are assessed a penalty of 10 percent. Accounts which remain unpaid on June 30 are charged an additional one and one half percent per month. Unsecured property tax is due on July 1 and becomes delinquent on August 31. The penalty percentage rates are the same as secured property tax.

**STINSON BEACH COUNTY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**June 30, 2018**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***E. Compensated Absences***

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. The liability for unpaid vacation is recorded in the financial statements when the liability is incurred and is reported as the current portion of such compensated absences. The District provides limited payment of unused sick leave at termination date. Balances of \$78,552 and \$42,614 for the water and wastewater funds, respectively, are comprised of the following:

	Water		Wastewater	
	<u>Vacation</u>	<u>Sick</u>	<u>Vacation</u>	<u>Sick</u>
Beginning Balance	\$ 54,846	\$ 42,012	\$ 23,784	\$ 17,714
Additions	11,191	4,896	6,668	3,337
Payments	<u>(18,452)</u>	<u>(15,941)</u>	<u>(6,574)</u>	<u>(2,315)</u>
	<u>\$ 47,585</u>	<u>\$ 30,967</u>	<u>\$ 23,878</u>	<u>\$ 18,736</u>

***F. Inventory***

All inventories are valued at cost based upon physical determinations made at the end of each year.

***G. Long-term Obligations***

In enterprise fund-type financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Discounts associated with the issuance of long-term debt obligations are reported as a reduction of the carrying value of the related debt obligation and are amortized to interest expense over the life of the debt instrument. Costs associated with the issuance of the debt are capitalized as other noncurrent assets and are amortized to expense over the life of the debt obligation.

***H. Use of Estimates***

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

***I. Pensions***

For purposes of measuring the net pension liability (NPL) and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position (FNP) of the Local Government of Example'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.

**STINSON BEACH COUNTY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**June 30, 2018**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***J. Other Post-Employment Benefits***

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Agency's plan (OPEB plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2017
Measurement Period	July 1, 2016 to June 30, 2017

**2. CASH AND INVESTMENTS**

***A. Policies***

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The District's investment policy has been to invest idle cash in demand deposits, time deposits and the Local Agency Investment Fund (LAIF) of the State of California. Investments are reported at fair value. The LAIF is operated in accordance with applicable state laws and regulations, and the reported value of the District's investment in the LAIF is the same as the fair value of the LAIF pool shares. State statutes authorize the District to invest in obligations of the U.S. Treasury, Federal Agency obligations, commercial paper, the LAIF and other instruments. The Trust Agreement underlying the issuance of the Installment Purchase Agreements authorize permitted investments consistent with the State of California Government Code but broader in scope than the District's usual investment practices.

***B. Classification***

Cash and investments are classified in the financial statements as shown below, based on whether or not their use is restricted, at June 30, 2018.

Cash available for District operations	\$ 188,398
Restricted cash and investments	31,149
Designated cash and investments	1,067,445
Total	\$ 1,286,992

**STINSON BEACH COUNTY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**June 30, 2018**

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**2. CASH AND INVESTMENTS (continued)**

The District's cash and investments consist of the following at June 30, 2018:

		Rating
Cash and cash equivalents:		
Cash on hand	\$ 474	N/A
Demand deposits	187,924	N/A
Local Agency Investment Fund (LAIF)	1,067,445	N/A
Debt service fund:		
Wells Fargo debt service fund Treasury money market	26,098	AAAm
Blackrock debt service T-Fund	5,051	AAAm
Total	\$ 1,286,992	

*C. Collateralization of Cash and Cash Equivalents*

California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the District's cash on deposit or first trust deed mortgage notes with a value of 150% of the District's cash on deposit as collateral for these deposits. Under California Law this collateral is held in an investment pool by an independent financial institution in the District's name and places the District ahead of general creditors of the institution pledging the collateral. The District has waived collateral requirements for the portion of deposits covered by federal deposit insurance.

*D. Interest Rate and Credit Risk*

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Normally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

The District is a 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. The District reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are maintained on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations. At June 30, 2018, these investments matured in an average of 6 months.

The District invests in Wells Fargo Advantage Treasury money market funds and Blackrock Provident institutional T-Fund which are available for withdrawal on demand.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. None of the District's investments were invested in specific securities. All monies in the LAIF, Blackrock Provident, and Wells Fargo Advantage are not evidenced by specific securities; and therefore, are not subject to custodial credit risk.

**STINSON BEACH COUNTY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**June 30, 2018**

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**2. CASH AND INVESTMENTS (continued)**

***E. Restricted Cash and Investments***

The District has the following restrictions on cash and investments:

*Restricted for Debt Service* - The District has moneys held by Wells Fargo Bank, Union Bank of California and Marin County as trustees, pledged to the payment or security of its outstanding bond issues. All transactions associated with debt service are administered by these trustees. The cash and investment amount for June 30, 2018 is \$31,149.

***F. Board Designated Investments***

*Designated for Construction in Progress* - The District has designated investments for acquisition, construction and re-construction of District capital assets. As of June 30, 2018, the amount designated for construction in progress is \$666,851.

*Designated for Emergency Reserves* - The District has designated reserves for emergencies in which the District would need to repair or purchase District assets. As with operational reserves, the District may add funds at any time, not to exceed 100% of the annual operating budget. As of June 30, 2018, the amount designated for emergency reserves is \$400,594.

**3. CAPITAL ASSETS**

***A. Summary***

Capital assets, which include property, plant, equipment, and infrastructure assets (mainly the existing water system) are reported in the financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets and assets constructed by developers are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed net of construction period interest revenues earned during such periods.

The purpose of depreciation is to spread the cost of utility plant assets equitably among all customers over the life of these assets, so that each customer's bill includes a pro rata share of the cost of these assets. The amount charged to depreciation expense each year represents that year's pro rata share of utility plant cost.

Depreciation of all utility plant in service is charged as an expense against operations each year and the total amount of depreciation taken over the years, called accumulated depreciation, is reported on the balance sheet as a reduction in the book value of the utility plant assets.

**STINSON BEACH COUNTY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**June 30, 2018**

**3. CAPITAL ASSETS (continued)**

Depreciation of utility plant in service is provided using the straight-line method, which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated. The District has assigned the useful lives listed below to utility plant assets:

Assets	Years
Transmission and treatment plant	25 – 75
Buildings and storage facilities	40
Vehicles and trucks	5 – 10

***B. Additions and Retirements***

Capital asset activity for the year ended June 30, 2018 was as follows:

	Balance at June 30, 2017	Additions	Retirements	Transfers & Adjustments	Balance at June 30, 2018
Capital assets not being depreciated					
Land	\$ 49,240	\$ -	\$ -	\$ -	\$ 49,240
Construction in progress	504,120	724,024	-	(436,992)	791,152
Total capital assets not being depreciated	553,360	724,024	-	(436,992)	840,392
Capital assets being depreciated					
Buildings and structures	2,650,279	-	-	1,247	2,651,526
Pipelines and improvements	4,532,328	7,647	-	13,379	4,553,354
Reservoirs and tanks	1,655,457	-	-	422,366	2,077,823
Hydrants and valves	144,136	-	-	-	144,136
Vehicles and equipment	559,903	40,886	(53,643)	-	547,146
Total capital assets being depreciated	9,542,103	48,533	(53,643)	436,992	9,973,985
Less accumulated depreciation:					
Buildings and structures	627,933	70,612	-	-	698,545
Pipelines and improvements	1,718,314	135,662	-	-	1,853,976
Reservoirs and tanks	501,395	29,903	-	-	531,298
Hydrants and valves	80,475	2,384	-	-	82,859
Vehicles and equipment	387,250	24,405	(49,661)	-	361,994
Total accumulated depreciation	3,315,367	\$ 262,966	\$ (49,661)	\$ -	3,528,672
Net capital assets being depreciated	6,226,736				6,445,313
Total capital assets, net	\$ 6,780,096				\$ 7,285,705

**STINSON BEACH COUNTY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**June 30, 2018**

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**4. LONG-TERM DEBT**

***A. Compositions and Changes***

The District generally incurs long-term debt to finance projects or purchase assets, which will have useful lives equal to or greater than the related debt. The District's debt issues and transactions are summarized below and discussed in detail thereafter.

	Maturity Date	Interest Rates	Balance June 30, 2017	Additions (Retirements)	Balance June 30, 2018
General Obligation Bonds	7/1/2018	5.0%	\$ 37,000	\$ (37,000)	\$ 0
State Loans	7/1/2025	2.39%	188,328	(21,631)	166,697
2013 Water Revenue Refunding Bond	10/1/2032	3.47%	<u>1,490,349</u>	<u>(128,669)</u>	<u>1,361,680</u>
Total			<u>1,715,677</u>	<u>(187,300)</u>	<u>\$ 1,528,377</u>
				Long-term debt due within one year	\$ 164,215
				Long-term debt due in more than one year	<u>1,364,162</u>
					<u>\$ 1,528,377</u>

***B. Description of the District's Long Term Debt Issues***

*General Obligations Bonds*

The general obligation bonds, an original issue of \$600,000, bear interest at 5 percent per annum, and mature each July 1 through July 1, 2018. The bonds, unless funds for their repayment are otherwise provided from revenues, were repaid from ad valorem taxes levied upon the properties within the District.

*State Loans*

The District entered into a loan agreement with the State Department of Water Resources for the purpose of obtaining construction financing for water system improvements. The loan is secured by a pledge of water revenues. The loan was for \$411,500, bears interest at 2.39 percent and matures July 1, 2025.

*2013 Water Revenue Refunding Bonds*

In fiscal year 2013, the District authorized the issuance of the Refunding Bonds in the principal amount of \$1,997,614. The bond refunded the Installment Agreement with ABAG and CSCDA. The bond bears interest at 3.47 percent and is payable in semi-annual payments each April 1st and October 1st through October 1, 2032. Principal payments are due each October 1st.

**STINSON BEACH COUNTY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**June 30, 2018**

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**4. LONG-TERM DEBT (continued)**

**C. Debt Service Requirements**

Annual debt service requirements are shown below for the above debt issues:

<u>Payments due in fiscal year ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 164,215	\$ 48,637	\$ 212,852
2020	167,661	43,125	210,786
2021	170,956	37,502	208,458
2022	174,094	31,772	205,866
2023	97,110	27,330	124,440
2024 – 2028	448,274	89,987	538,261
2029 – 2033	306,067	24,435	330,502
	<u>\$ 1,528,377</u>	<u>\$ 302,788</u>	<u>\$ 1,831,165</u>

**5. NET POSITION**

Net Position is the excess of all the District's assets and deferred outflows over all its liabilities and deferred inflow of resources, regardless of fund. Net Position are divided into three captions. These captions apply only to Net Position and are described below:

Net investment in Capital Assets describes the portion of Net Position which is represented by the current net book value of the District's capital assets, less the outstanding balance of any debt issued to finance these assets.

Restricted describes the portion of Net Position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the District cannot unilaterally alter. These principally include developer fees received for use on capital projects and debt service requirements.

Unrestricted describes the portion of Net Position which is not restricted to use.

During the year ended June 30, 2018, unrestricted net position in the Water Fund decreased by \$995,827, to a negative \$401,081. This was the result of both the implementation of GASBS No. 75 (see Note 11) and the Highlands Tank Coating project, which account for \$881,747 (89%) of the decrease.



**STINSON BEACH COUNTY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**June 30, 2018**

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**6. RETIREMENT PLAN**

***A. General Information about the Pension Plan***

*Plan Descriptions*

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, 2017 Annual Actuarial Valuation Report. This report is a publically available valuation report that can be obtained at CalPERS' website under Forms and Publications. All qualified permanent and probationary employees are eligible to participate in the District's separate Miscellaneous Employee Pension Plans, cost-sharing multiple employer 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 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: The Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at June 30, 2018, are summarized as follows:

	<u>Miscellaneous</u>	
	<u>Prior to January 1, 2013</u>	<u>On or after January 1, 2013</u>
Hire Date		
Benefit formula	2.7% @ 55	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Minimum retirement age	50	52
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.0% to 2.5%

**STINSON BEACH COUNTY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**June 30, 2018**

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**6. RETIREMENT PLAN (continued)**

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS' annual actuarial valuation process. The Plan's actuarially determined rate is based on the estimated amount necessary to pay the costs of benefits earned by employees during the year, with an additional amount to pay any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the measurement period ended June 30, 2017 (the measurement date), the active employee contribution rate is 6.891 percent of annual pay, and the average employer's rate is 12.02 percent of annual payroll.

For the year ended June 30, 2018, the contributions recognized as part of pension expense for each Plan were as follows:

	Miscellaneous Plan
Employer Contributions – Classic Plan	\$ 70,113
Employer Contributions - PEPR	8,646
	\$ 78,759

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

The following table shows the Plan's proportionate share of the risk pool collective net pension liability over the measurement period.

	Proportionate Share of Net Pension Liability	Miscellaneous
Balance at: 6/30/16 - Measurement date	\$ 1,399,036	.040%
Balance at: 6/30/17 – Measurement date	1,560,437	.040%
Total Net Change 2016 – 2017	\$ (161,401)	

The District's net pension liability of \$1,560,437 is measured as the proportionate share of the net pension liability of \$3,942,047,621 (or .04%). The net pension liability is measured as of June 30, 2017, and the total pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

For the year ended June 30, 2018, the District recognized pension expense of \$161,477 for the Plan. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**STINSON BEACH COUNTY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**June 30, 2018**

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**6. RETIREMENT PLAN (continued)**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 78,759	\$ -
Differences between actual and expected experience	-	(22,676)
Changes in assumptions	195,027	-
Difference between projected and actual earnings on pension plan investments	47,749	-
Difference between contribution and proportionate share of contributions	83,189	-
Adjustment due to differences in proportions	76,361	-
Total	<u>\$ 481,085</u>	<u>\$ (22,676)</u>

Of the \$481,085 reported as deferred outflows of resources, \$78,759 is related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019 (measurement period ended June 30, 2017). Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Period Ended June 30	Deferred Outflows (Inflows) Of Resources
2018	149,802
2019	158,471
2020	99,726
2021	(28,349)
Thereafter	-

The amounts above are the net of outflows and inflows recognized in the fiscal 2017 measurement period.

*Actuarial Methods and Assumptions Used to Determine Total Pension Liability*

For the measurement period ending June 30, 2017 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2016 total pension liability. Both the June 30, 2016 total pension liability and the June 30, 2017 total pension liability were determined using the following actuarial methods and assumptions:

**STINSON BEACH COUNTY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**June 30, 2018**

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**6. RETIREMENT PLAN (continued)**

	Miscellaneous
Valuation Date	June 30, 2017
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Projected Salary Increase	Varies by entry age and service
Investment Rate of return	7.0% <sup>1</sup>
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies. 2.75% thereafter

<sup>1</sup> Net of pension plan investment and administrative expenses; including inflation

*Change of Assumptions*

In the fiscal year 2016-17, the financial reporting discount rate for the PERF C was lowered from 7.65% to 7.15%. Deferred outflows of resources for changes of assumptions presented in the Schedule of Collective Pension Amounts represent the unamortized portion of this assumption change.

*Discount Rate*

The discount rate used to measure the total pension liability was 7.15 percent and reflects the long-term expected rate of return for the Plan, net of investment expenses and without reduction for administrative expenses. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, the amortization and smoothing methods adopted by the CalPERS board in 2013 were used. For the Plan, the crossover test was performed for a miscellaneous agency plan and a safety agent plan selected as being more at risk of failing the crossover test and resulting in a discount rate that would be different from the long-term expected rate of return on pension investments. Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for PERF C. The crossover test results can be found on the CalPERS website at: <https://www.calpers.ca.gov/page/employers/actuarial-services/gasb>.

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

**STINSON BEACH COUNTY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**June 30, 2018**

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**6. RETIREMENT PLAN (continued)**

*Discount Rate (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 returns were calculated over the short-term (first 10 years) and the long-term (11-60 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 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 equivalent to the single equivalent rate calculated above and adjusted to account for administrative expenses.

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

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (a)	Real Return Years 11+ (b)
Global Equity	47.0%	4.90%	5.38%
Global Fixed Income	19.0%	0.80%	2.27%
Inflation Sensitive	6.0%	0.60%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	2.0%	-0.40%	-0.90%
Total	<u>100%</u>		

(a) An expected inflation of 2.5% used for this period.

(b) An expected inflation of 3.0% used for this period.

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

The following presents the District's proportionate share of the net pension liability, calculated using the discount rate of 7.15 percent, as well as what the District's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (6.15%) or 1-percentage point higher (8.15%) than the current rate:

	Discount Rate -1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate +1% (8.15%)
Plan's Net Pension Liability (Asset)	\$ 2,256,373	\$ 1,560,437	\$ 984,051

**Pension Plan Fiduciary Net Position** – Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

**STINSON BEACH COUNTY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**June 30, 2018**

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**7. OTHER POST-EMPLOYMENT BENEFITS**

*A. Plan Description*

The Stinson Beach County Water District administers the District's Retired Employees' Healthcare plan, a single employer defined benefit health care plan. The plan provides medical benefits to eligible retired District employees and their beneficiaries. The District's plan is affiliated with the State of California PERS in so far as the District health insurance premium payments are paid to the PERS. The PERS through an aggregation of single-employer plans pools administrative functions in regard to purchases of commercial health care policies and coverage. Employees do not get medical or dental upon retirement, unless purchased.

Effective June 27, 2017, the District joined the California Employers' Retiree Benefit Trust (CERBT) in order to pre-fund the retiree medical costs. The objective of the CERBT is to seek favorable returns that reflect the broad investment performance through asset allocation. The employers who participate in the CERBT own units of the fund's portfolio, which is invested in accordance with the approved strategic asset allocation; they do not have direct ownership of the securities in the portfolio. The unit value changes with market conditions. The CERBT is a self-funded program, in which the participating employers pay the program costs. The cost charged to participating employers is based on the average daily balance of assets. CalPERS issues a separate CAFR. Copies of the CERBT's annual financial report may be obtained from its Affiliate Program Services Division at 400 Q Street, Sacramento, CA 95811.

*B. Employees Covered*

As of June 30, 2017, actuarial valuation, the following current and former employees were covered by the benefit terms under the plan:

Active employees	8
Inactive employees or beneficiaries currently receiving benefits	2
Inactive employees entitled to, but not yet receiving benefits	<u>1</u>
Total	<u>11</u>

*C. Contributions*

The District's plan and its contribution requirements are established by District resolutions and regulations. The District pays only \$218 a month for retiree health insurance, which increases 3 percent every year and caps out in about seven years. The retiree pays the remaining amount. The annual contribution to the CERBT trust is based on the actuarially determined contribution. For the fiscal year June 30, 2018, the District's cash contributions were \$34,000 to the CERBT Trust and the implied subsidy was \$2,742, resulting in total payments of \$36,742.

**STINSON BEACH COUNTY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**June 30, 2018**

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**7. OTHER POST-EMPLOYMENT BENEFITS (continued)**

***D. Net OPEB Liability***

The District's Net OPEB Liability was measured on June 30, 2017 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation dated June 30, 2017 based on the following actuarial methods and assumptions:

Actuarial Assumptions:

Discount Rate	6.73%, based on CERBT Strategy 2 investment policy
Net Investment Return	6.73%, based on CERBT Strategy 2 investment policy
Inflation	2.0% annually
Payroll Increases	3.25% annually
Healthcare trend	Pre-65, 7.70% in 2019, tapering to 5.00% in 2030 Post-65, 5.20% in 2019, 5.00% thereafter
Plan Distribution for	Kaiser – 90%
Calculating Baseline Cost	PERS Choice – 10%
Baseline Cost	Pre-Medicare: \$9,150 per year Post-Medicare: \$3,751 per year
Administrative Expenses	No administrative fees other than those included in the premium rates.
Health Plan Participation	100% of eligible participants
Medicare Coverage	All future retirees will be eligible at age 65
Morbidity Factors	CalPERS 2013 study
Population for Curving	CalPERS 2013 study
Age-Weighted Claims	Ranges from \$3,423 to \$13,366 depending on age. Gender is not a
Costs	factor.
Mortality	Based on the most recent CalPERS valuations from 2014
Disability	Not valued
Percent Married	Not applicable
Retirement	Rate are from the most recent CalPERS Public Agency Miscellaneous 2.7% @ 55 for actives hired before January 1, 2013, and 2% @ 62 for active hired on or after January 1, 2013.

The average per capita claims cost was updated to reflect actual 2017 premiums, the health care cost trend rates were updated to reflect 2018 industry survey data, the mortality table was updated to reflect the most recent CalPERS studies, and the discount rate was updated to reflect contributions to the CERBT Trust.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

**STINSON BEACH COUNTY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**June 30, 2018**

**7. OTHER POST-EMPLOYMENT BENEFITS (continued)**

<u>Investment Class</u>	<u>Target Allocation</u>	<u>Long-term expected real rate of return</u>
Equity	43.00%	5.43%
Fixed Income	49.00%	1.63%
REITs	8.00%	5.06%
Total	100%	

**E. Discount Rate**

The discount rate used to measure the total OPEB liability was 6.73 percent, and is based on a blend of (a) the long-term expected rate of return on assets for benefits covered by plan assets and a yield or index for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or better for benefits not covered by plan assets.

**F. Changes in the OPEB Liability**

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Obligation (Asset) = (a) - (b)
Balance at June 30, 2017	\$ 605,610	\$ -	\$ 605,610
Changes recognized for the measurement period			
Service cost	26,222	-	26,222
Interest	17,851	-	17,851
Employer contributions	-	149,030	(149,030)
Change of assumptions	(326,816)	-	(326,816)
Benefit payments to retirees	(11,030)	(11,030)	-
Net changes	(293,773)	138,000	(431,773)
Balance at June 30, 2018 <i>(Valuation date June 30, 2017)</i>	\$ 311,837	\$ 138,000	\$ 173,837

**G. Sensitivity of the Net OPEB Liability to the Changes in the Discount Rate**

The following presents the Net OPEB Liability of the Agency if it were calculated using a discount rate that is one percentage point higher or lower than the current discount rate, for the measurement period ended June 30, 2017:

	1% Decrease (5.73%)	Current Discount Rate (6.73%)	1% Increase (7.73%)
Net OPEB Liability	\$ 219,996	\$ 173,837	\$ 135,656



**STINSON BEACH COUNTY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**June 30, 2018**

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**7. OTHER POST-EMPLOYMENT BENEFITS (continued)**

***H. Sensitivity of the Net OPEB Liability to the Changes in the Health Care Cost Trend Rates***

The following presents the net OPEB liability of the District if it were calculated using health care cost trend rates that are one percentage point higher or lower than the current rate, for the measurement period ended June 30, 2017:

	1% Decrease	Current Trend Rate	1% Increase
Net OPEB Liability	\$ 225,969	\$ 173,837	\$ 131,471

***I. OPEB Plan Fiduciary Net Position***

CERBT issues a publicly available financial report that may be obtained from CalPERS, Prefunding Programs, CERBT (OPEB), P.O. Box 1494, Sacramento, CA 95812-1494.

***J. Recognition of Deferred Outflows and Deferred Inflows of Resources***

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time.

Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.

The actuary used straight-line amortization. For assumption changes and experience gains/losses, they assumed Average Future Working Lifetime, averages over all actives and retirees (retirees are assumed to have no future working years). For asset gains and losses, the actuaries assumed five years.

***K. OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB***

For the year ended June 30, 2018, the District recognized OPEB expense (revenue) of \$(19,273). At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 36,742	\$ -
Changes in assumptions	-	(278,154)
Net differences between projected and actual earnings on plan investments	3,654	-
Total	\$ 40,396	\$ (278,154)

**STINSON BEACH COUNTY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**June 30, 2018**

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**7. OTHER POST-EMPLOYMENT BENEFITS (continued)**

Of the \$40,396 reported as deferred outflows of resources, \$36,742 related to contributions subsequent to the measurement date that will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as OPEB expense as follows:

Fiscal Year Ending:	Deferred Outflows/(Inflows) of Resources
2019	\$ (47,748)
2020	(47,748)
2021	(47,748)
2022	(47,750)
2023	(48,662)
Thereafter	(34,844)

**8. RISK MANAGEMENT**

The District obtains general liability, property, automobile, and workers compensation insurance through its membership in the Association of California Water Agencies Joint Powers Insurance Authority. The Authority is responsible for the first \$5,000,000 per claim under its liability coverage program, and members are covered up to \$60 million for liability claims under the Authority's purchased excess insurance policies. Members are covered for \$150 million in regard to property and equipment through the Authority's purchased excess coverage. Workers compensation coverage is provided to the District equal to statutory limits. The Authority also provides automobile liability coverage and errors and omissions coverage up to \$60 million, and employee fidelity coverage up to \$1,000,000. The District paid no material uninsured losses during the last three fiscal years.

The following is a summary of the insurance policies in force carried by the District as of June 30, 2018.

Type of Coverage	Limits	Deductible
General Liability	\$ 60,000,000	None
Auto Liability	60,000,000	None
Public Officials Liability	60,000,000	None
Property	500,000,000	\$ 500 – 50,000
Fidelity	1,000,000	1,000
Workers' Compensation	Statutory	None

Liabilities of the District are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards.

**STINSON BEACH COUNTY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**June 30, 2018**

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**8. RISK MANAGEMENT (continued)**

Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. There were no material uninsured claim liabilities at June 30, 2018.

**9. GRANT AGREEMENT**

In July 2015, the Association of Bay Area Governments (ABAG) and the Department of Water Resources (DWR) entered into an agreement awarding ABAG state grants to help fund 11 local, subregional, and regional projects within the San Francisco Bay Area IRWM region (Work Plan). The District is a subrecipient of those grant funds and is responsible for completion of their portion of the Work Plan, which is the Stinson Beach Water Supply and Drought Preparedness Plan. It is anticipated that total funds received from ABAG will amount to \$937,452.

As part of the Work Plan, the District expends funds and requests quarterly reimbursements from ABAG. As of June 30, 2018, the District had requested the full amount from ABAG, and had received \$890,332. The remaining \$47,120 is 5% retention on all fund requests and has been requested by the District because all projects are complete.

**10. COMMITMENT AND CONTINGENT LIABILITIES**

**A. Litigation**

In the normal course of business, the District is subject to various claims, lawsuits, and settlements. Management does not anticipate these costs will have a material adverse impact on the accompanying financial statements.

**11. PRIOR PERIOD ADJUSTMENT**

As a result of implementing GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pension (OPEB)*, the District is restating beginning net position in the Statement of Net Position, effectively decreasing the net position by \$459,381 as of July 1, 2017. The decrease resulted from recognizing the Net OPEB Liability. See Note 7 for additional disclosures regarding this presentation.

**12. SUBSEQUENT EVENTS**

Management has evaluated events through the date of the audit opinion, the date on which these financial statements were available to be issued. No events that would require additional disclosure came to their attention.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**Stinson Beach County Water District  
Required Supplementary Information  
For the Year ended June 30, 2018**

Schedule of Proportionate Share of Net Pension Liability  
Last 10 Years\*

	Fiscal Year Ending June 30,			
	2018	2017	2016	2015
Measurement date	6/30/2017	6/30/2016	6/30/2015	6/30/2014
Plan's proportion of the Net Pension Liability (Asset)	0.015735%	0.01617%	0.01748%	0.01703%
Plans Proportionate Share of the Net Pension Liability (Asset)	\$ 1,560,437	\$ 1,399,036	\$ 1,200,034	\$ 1,059,872
Plan's Covered-Employee Payroll	\$ 766,730	\$ 720,778	\$ 710,354	\$ 635,273
Plan's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	203.52%	194.10%	168.93%	166.84%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	69.16%	69.15%	70.90%	73.52%
Plan's Proportionate Share of Aggregate Employer Contributions	\$ 132,397	\$ 116,787	\$ 155,547	\$ 146,229

\* Fiscal year ending June 30, 2015 was the first year of implementation, therefore only three years are shown.

**Stinson Beach County Water District  
Required Supplementary Information  
For the Year ended June 30, 2018**

Schedule of Pension Plan Contributions  
Last 10 Years\*

	Fiscal Year Ending June 30,			
	2018	2017	2016	2015
Actuarially Determined Contributions	\$ 176,700	\$ 116,787	\$ 155,547	\$ 146,229
Contributions in relation to the actuarially determined contribution	<u>(176,700)</u>	<u>(116,787)</u>	<u>(155,547)</u>	<u>(146,229)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 766,730	\$ 720,778	\$ 710,354	\$ 635,273
Contributions as a percentage of covered-employee payroll	23.05%	16.20%	21.90%	23.02%

**Notes to Schedule:**

Valuation Date:

June 30, 2017

Methods and assumptions used to determine contribution rates:

Actuarial cost method

Entry age normal cost method

Amortization method

Level percent of payroll

Discount rate

7.15%

Inflation

2.75%

Salary increase

Varies by age and service

Investment rate of return

7.00%, net of pension plan investment and administrative expense, including inflation

Mortality rate table

Derived using CalPERS' Membership Data for all

Post Retirement benefit increase

Contract COLA up to 2.75% until Purchasing Power protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

\* Fiscal year ending June 30, 2015 was the first year of implementation, therefore only three years are shown.

**STINSON BEACH COUNTY WATER DISTRICT**  
**Required Supplementary Information**  
**For the Year Ended June 30, 2018**

Schedule of Changes in the Net OPEB Liability and Related Ratios  
For the Measurement Period Ended June 30, 2017

<b>Total OPEB Liability</b>		
Service cost	\$	26,222
Interest on the OPEB liability		17,851
Change of assumptions		(326,816)
Benefits paid to retirees		<u>(11,030)</u>
<b>Net change to total OPEB liability</b>		<u>(293,773)</u>
<b>Total OPEB Liability - beginning</b>		<u>605,610</u>
<b>Total OPEB Liability - ending</b>	<b>(a)</b>	<u>\$ 311,837</u>
<b>Plan Fiduciary Net Position</b>		
Employer contributions	\$	149,030
Benefits paid to retirees		<u>(11,030)</u>
<b>Net change to plan fiduciary net position</b>		<u>138,000</u>
<b>Plan fiduciary net position- beginning</b>		<u>-</u>
<b>Plan fiduciary net position- ending</b>	<b>(b)</b>	<u>138,000</u>
<b>Net OPEB Liability - ending</b>	<b>(a) - (b)</b>	<u>\$ 173,837</u>
Plan fiduciary net position as a percentage of the total OPEB liability		44.25%
Covered-employee payroll		Not available
Plan net OPEB liability as a percentage of covered-employee payroll		Not available

**STINSON BEACH COUNTY WATER DISTRICT**

**Schedule of OPEB Contributions**

**Last Ten Fiscal Years<sup>1</sup>**

	<u>2018</u>
Fiscal Year Ended June 30,	
Actuarially determined contributions (ADC)	\$ 39,669
Contributions in relation to the ADC	<u>(149,030)</u>
Contributions deficiency (excess)	<u><b>(109,361)</b></u>
Covered-employee payroll	Not available
Contributions as a percentage of covered-employee payroll	Not available

**Notes to schedule:**

<sup>1</sup> Historical information is required only for measurement periods for which GASB No. 75 is applicable. Future years' information will be displayed, up to 10 years, as information becomes available.

**See footnote 7 for the actuarial methods and assumptions used to determine contributions.**





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**STINSON BEACH COUNTY WATER DISTRICT**

**BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2017**

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**STINSON BEACH COUNTY WATER DISTRICT**  
**BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

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## Independent Auditor's Report

Board of Directors  
Stinson Beach County Water District

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

We have audited the accompanying financial statements of the business-type activities of each major fund of Stinson Beach County Water District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Stinson Beach County Water District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of each major fund of Stinson Beach County Water District, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## *Other Matters*

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3 – 8, Schedule of the District's Proportionate Share of the Net Pension Liability on page 32, the Schedule of the District's Pension Plan Contributions on page 33, and the Other Post-Employment Benefits Schedule of Funding Progress – CERBT on page 34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Cropper Accountancy Corporation*

CROPPER ACCOUNTANCY CORPORATION  
Walnut Creek, CA  
November 17, 2017

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Stinson Beach County Water District's annual financial report presents a discussion and analysis of the District's financial performance during the year that ended on June 30, 2017.

### FINANCIAL HIGHLIGHTS

- For the fiscal year ended June 30, 2017, the District continues with the provisions of GASB Statement No. 68 and Statement No. 71. This resulted in deferred inflows of \$268,879 and deferred outflows of \$727,363. The net position of the District's business-type activities increased in fiscal 2017 by \$987,003 compared to the net position of the District at June 30, 2016.
- Total operating expenses for 2017 decreased by \$449,945. The reasons for the decrease is because the current year payments for CalPERS are accounted for in the deferred outflow asset.
- The District's operating revenues from business-type activities increased in 2017 by a net \$78,914 compared to 2016 as a result of higher water usage and leaks.
- The District in 2017 increased its capital assets by a net \$271,750 (after depreciation) as a result of additions from construction of the new water lines and for a new well design and pending Coastal Development Permit (CDP).

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – *management's discussion and analysis* (this section), *the basic financial statements*, and *required supplementary information*. The basic financial statements include one kind of statements that present both a short-term and long-term view of the District.

- *Proprietary* enterprise fund-type statements offer *short-* and *long-term* financial information about the activities that the District operates *like businesses*, such as the District's water treatment and distribution system and wastewater septic permitting and monitoring programs.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that provides more data about the District's pension plan.

Figure A-1 summarizes the major features of the District's financial statements, including the portion of the District they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**FIGURE A-1 Major Financial Statement Features**

	<b>Basic Financial Statements</b>
Scope	Activities the District operates similar to private businesses; the water and wastewater systems
Required financial statements	Statement of net position Statement of revenues, expenses, and changes in net position . Statement of cash flows.
Accounting basis and measurement focus	Accrual accounting and economic measurement focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term focus
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received

### **Basic Financial Statements**

The basic financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes *all* the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of revenues, expenses, and changes in net position regardless of when cash is received or paid.

The basic financial statements report the District's *net position* and how it has changed. Net position – the difference between the District's assets and liabilities – is one way to measure the District's financial health, or *position*.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.

The basic financial statements of the District consist of one category:

- *Business-type activities* – The District charges fees to help it cover the costs of certain services it provides. All of the District's operations are accounted for in this category. *The District uses proprietary enterprise fund type accounting principles to account for all operations.* Proprietary accounting provides both long-and short-term financial information.



## MANAGEMENT'S DISCUSSION AND ANALYSIS

### FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

**Net Position.** The District's *combined* net position increased by \$987,003 between years 2016 and 2017. (See Table A-1.)

**TABLE A-1 NET POSITION OF THE DISTRICT (In Rounded Dollars)**

	Business-Type Activities		Increase (decrease)	
	June 30		Amount	%
	2017	2016		
Current and other assets	\$ 1,762,618	\$ 1,708,379	\$54,239	3.2%
Capital assets	6,780,096	6,508,346	271,750	4.2%
Deferred outflows of resources	<u>727,363</u>	<u>374,177</u>	<u>353,186</u>	<u>94.4%</u>
 Total assets and deferred outflows of resources	 9,270,077	 8,590,902	 679,175	 7.9%
Current and other liabilities	358,654	467,513	(108,859)	-23.3%
Long-term debt outstanding	1,528,377	1,715,677	(187,300)	-10.9%
Accrued pension liability	1,399,036	1,200,034	199,002	16.6%
Deferred inflows of resources	<u>268,879</u>	<u>479,550</u>	<u>(210,671)</u>	<u>-43.9%</u>
 Total liabilities and deferred inflows of resources	 3,554,946	 3,862,774	 (307,828)	 -8.0%
Net position (Note 5):				
Net investment in capital assets	5,064,419	4,607,326	457,093	9.9%
Restricted	29,084	31,289	(2,205)	-7.0%
Unrestricted	<u>621,628</u>	<u>89,513</u>	<u>532,115</u>	<u>-594.5%</u>
 Total net position	 <u>\$ 5,715,131</u>	 <u>\$ 4,728,128</u>	 <u>\$987,003</u>	 <u>20.9%</u>

Net position of the District in 2017 increased about 20.9% compared to the 2016 fiscal year for a total of about \$5,715,131.

The 4.2% increase in capital assets in 2017 results primarily from new water lines.

Total liabilities of the District decreased by about a net \$307,828 in fiscal year 2017. This resulted from the Governmental Accounting Standards Board Statement No. 68, which is the difference between CalPERS estimates of returns (7.5%) versus results of return (6.5%).

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

**Changes in net position.** The District's total net position in fiscal year 2017 increased an overall \$987,003 due to charges for services, increased property taxes, and pension expense as revenue.

About 43 percent of the District's revenue comes from charges for services in the form of the sale of water and wastewater permitting and monitoring fees. The remaining 57 percent comes primarily from property taxes, a small amount from interest and grant revenues.

The total cost of all programs and services in fiscal 2017 decreased to about \$1.6 million, a \$449,945 decrease compared to a \$239,454 increase in 2016. During 2017, we allocated the pension liability in a different manner.

**TABLE A-2 District's Revenues, Expenses and Changes in Net Position (In Rounded Dollars)**

	Business-Type Activities		Increase (decrease)	
	June 30			
	2017	2016	Amount	%
Revenue				
Program Revenues:				
Charges for services	\$ 1,102,361	\$ 1,023,447	\$ 78,914	7.7%
Investment and other revenue	42,822	41,052	1,770	4.3%
General revenues - property taxes	1,012,187	912,371	99,816	10.9%
Grant revenues	397,611	485,313	(87,702)	100.0%
Total revenues	2,554,981	2,462,183	92,798	3.8%
Expenses				
Salaries and benefits	1,085,822	1,129,364	(43,542)	-3.9%
Board officer costs	13,900	17,813	(3,913)	-22.0%
Professional services	241,013	196,243	44,770	22.8%
Other operating expenses	222,778	176,626	46,152	26.1%
Depreciation	263,038	240,845	22,193	9.2%
Interest on long-term debt	63,155	69,457	(6,302)	-9.1%
(Gain) Loss on disposal of assets	-	(3,051)	3,051	-100.0%
Pension expense (revenue)	(288,839)	225,626	(514,465)	-228.0%
Other nonoperating expenses	2,111	-	2,111	100.0%
Total expenses	1,602,978	2,052,923	(449,945)	-21.9%
Change in net position				
before capital contributions	952,003	409,260	542,743	132.6%
Capital connections	35,000	17,500	17,500	100.0%
Change in net position	987,003	426,760	560,243	131.3%
Net position, beginning	4,728,128	4,301,368	426,760	9.9%
Net position, ending	\$ 5,715,131	\$ 4,728,128	\$ 987,003	20.9%

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Table A-2 presents the cost of each of the District's largest functions, from an expense perspective—operating expenses, and depreciation on capital assets.

- The cost of all *District functional categories in 2017* was about \$1.6 million, about \$450,000 less than what was reported in the 2016 year.

Decreases came about due to the reporting of the pension expense.

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

At the end of 2017, the District had invested \$6,780,096 (net of accumulated depreciation) in a broad range of capital assets, including land, treatment plant, distribution lines, pumping stations, improvements, vehicles and small equipment. (See Table A-3.) This amount represents a net increase (including additions and deductions) of about \$271,750 (4.2%).

**TABLE A-3 District Net Investment in Capital Assets (In Rounded Dollars)**

	Capital Assets		Increase (decrease)	
	2017	2016	Amount	%
Land and construction in progress	\$553,360	\$375,836	\$177,524	47.2%
Building and structures	2,650,279	2,587,938	62,341	2.4%
Pipelines and improvements	4,532,328	4,357,079	175,249	4.0%
Tanks	1,655,457	1,655,457	-	0.0%
Hydrants and valves	144,136	117,501	26,635	22.7%
Equipment and vehicles	559,903	466,864	93,039	19.9%
Accumulated depreciation	(3,315,367)	(3,052,329)	(263,038)	8.6%
<b>Total</b>	<b>\$6,780,096</b>	<b>\$6,508,346</b>	<b>\$271,750</b>	<b>4.2%</b>

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

#### **This year's major capital assets additions included:**

- New water lines, numerous leak repairs, new water meters, and new utility vehicles.

#### **Long-Term Debt**

The District has about \$2.90 million in long-term obligations outstanding. Approximately \$1.5 million relates to the 2013 Water Revenue Bonds which refunded the installment agreements borrowed to make capital improvements. Another \$1.40 million relates to the new pension obligation. All debt service required payments were made when and as due in fiscal 2017. Additional information about the District's long-term obligations can be found in the notes to the financial statements.

### **ECONOMIC FACTORS AND NEXT YEAR'S OPERATING PLAN AND RATES**

- Operating expenses in 2018 are expected to increase by about \$500,000. Most of the expected increase is the capital purchase of infrastructure for the repairs and painting of the water tanks and Alder Grove well.
- The District expects to complete construction of a new potable water well, perform defensible space for increased fire safety, and continue recoating and repairs of the District's water tanks.
- The District is not presently considering a water or wastewater increase during Fiscal Year 2018. Property values continue to increase.

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, customers, and investors 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 General Manager, Stinson Beach County Water District, at 3785 Shoreline Highway, Stinson Beach, California, 94970.

# **FINANCIAL STATEMENTS**

**STINSON BEACH COUNTY WATER DISTRICT**  
**Statements of Net Position**  
**June 30, 2017**

	Water	Wastewater	Total
<b>Assets</b>			
Current assets:			
Cash (Note 2)	\$ 119,077	\$ 51,197	\$ 170,274
Receivables	64,350	26,372	90,722
Proposition 84 funds receivable (Note 9)	216,305	-	216,305
Inventory	36,425	-	36,425
Prepayments	11,980	3,425	15,405
Total	448,137	80,994	529,131
Restricted cash and investments (Note 2):			
Debt service	29,084	-	29,084
Total restricted cash and investments	29,084	-	29,084
Designated cash and investments (Note 2):			
Construction in progress	803,809	-	803,809
Emergency fund reserves	400,594	-	400,594
Other post employment benefits	-	-	-
Total designated cash and investments	1,204,403	-	1,204,403
Total current assets	1,681,624	80,994	1,762,618
Noncurrent assets:			
Capital assets (Note 3):			
Land	49,240	-	49,240
Buildings	2,650,279	-	2,650,279
Distribution system	6,591,200	-	6,591,200
Vehicles	300,624	-	300,624
Construction in progress	504,120	-	504,120
Less accumulated depreciation	(3,315,367)	-	(3,315,367)
Total capital assets, net	6,780,096	-	6,780,096
Total noncurrent assets	6,780,096	-	6,780,096
Total Assets	8,461,720	80,994	8,542,714
<b>Deferred outflows of resources</b>			
Deferred outflows (Note 6)	727,363	-	727,363
Total deferred outflows of resources	727,363	-	727,363
Total Assets and Deferred Outflows of Resources	9,189,083	80,994	9,270,077

**STINSON BEACH COUNTY WATER DISTRICT**  
**Statements of Net Position**  
**June 30, 2017**

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	10,155	12,614	22,769
Compensated absences (Note 1.E.)	96,858	41,498	138,356
Deposits payable	2,000	-	2,000
Bonds, agreements and leases payable (Note 4)	<u>187,300</u>	<u>-</u>	<u>187,300</u>
Total current liabilities	<u>296,313</u>	<u>54,112</u>	<u>350,425</u>
Noncurrent liabilities:			
Bonds, agreements and leases payable (Note 4)	1,528,377		1,528,377
Net other post employment benefit obligation (Note 7.C.)	8,229	-	8,229
Accrued pension liability (Note 6)	<u>1,399,036</u>	<u>-</u>	<u>1,399,036</u>
Total noncurrent liabilities	<u>2,935,642</u>	<u>-</u>	<u>2,935,642</u>
Total Liabilities	<u>3,231,955</u>	<u>54,112</u>	<u>3,286,067</u>
<b>Deferred inflows of resources</b>			
Deferred inflows (Note 6)	<u>268,879</u>	<u>-</u>	<u>268,879</u>
Total deferred inflows of resources	<u>268,879</u>	<u>-</u>	<u>268,879</u>
Total Liabilities and Deferred Inflows of Resources	<u>3,500,834</u>	<u>54,112</u>	<u>3,554,946</u>
<b>Net position (Note 5):</b>			
Net investment in capital assets	5,064,419	-	5,064,419
Restricted for debt service	29,084	-	29,084
Unrestricted	<u>594,746</u>	<u>26,882</u>	<u>621,628</u>
Total net position (deficit)	<u>5,688,249</u>	<u>26,882</u>	<u>5,715,131</u>
Total Liabilities, Deferred Inflows of Resources and Net Position (deficit)	<u>\$ 9,189,083</u>	<u>\$ 80,994</u>	<u>\$ 9,270,077</u>

**STINSON BEACH COUNTY WATER DISTRICT**  
**Statements of Revenues, Expenses, and Changes in Net Position**  
**For the Year Ended June 30, 2017**

Operating revenue:	Water	Wastewater	Total
Sale of water	\$ 606,322	\$ -	\$ 606,322
Water usage charge	-	-	-
Wastewater fees	-	321,973	321,973
Other operating revenues	33,239	140,827	174,066
<b>Total operating revenue</b>	<b>639,561</b>	<b>462,800</b>	<b>1,102,361</b>
<b>Operating expense:</b>			
Salaries and wages	515,089	252,498	767,587
Employee benefits	227,254	90,981	318,235
Board officers' costs	6,850	7,050	13,900
Professional services	98,401	142,612	241,013
Insurance	23,330	9,999	33,329
Miscellaneous outside services	32,212	14,664	46,876
Utilities	37,665	16,193	53,858
Office operations	50,454	13,410	63,864
Equipment maintenance and supplies	22,196	2,655	24,851
Depreciation (Note 3.B.)	263,038	-	263,038
<b>Total operating expense</b>	<b>1,276,489</b>	<b>550,062</b>	<b>1,826,551</b>
<b>Net Operating Income (loss)</b>	<b>(636,928)</b>	<b>(87,262)</b>	<b>(724,190)</b>
<b>Nonoperating revenue (expense):</b>			
Property taxes	718,577	307,338	1,025,915
Property tax collection fee	(10,634)	(3,094)	(13,728)
Interest expense	(63,155)	-	(63,155)
Pension revenue (expense)	288,839	-	288,839
Grant revenue - State	392,611	-	392,611
Grant revenue - County, net of expenses	2,500	2,500	5,000
Zero waste compost bins	438	(2,549)	(2,111)
Interest and investment revenue	42,822	-	42,822
Transfers from (to) other funds	116,766	(116,766)	-
<b>Net non-operating revenue</b>	<b>1,488,764</b>	<b>187,429</b>	<b>1,676,193</b>
<b>Income (loss) before capital contributions</b>	<b>851,836</b>	<b>100,167</b>	<b>952,003</b>
<b>Capital connection fees</b>	<b>35,000</b>	<b>-</b>	<b>35,000</b>
<b>Change in net position</b>	<b>886,836</b>	<b>100,167</b>	<b>987,003</b>
<b>Net position (deficit) - beginning</b>	<b>4,801,413</b>	<b>(73,285)</b>	<b>4,728,128</b>
<b>Net position (deficit) - ending</b>	<b>\$ 5,688,249</b>	<b>\$ 26,882</b>	<b>\$ 5,715,131</b>



**STINSON BEACH COUNTY WATER DISTRICT**  
**Statements of Cash Flows**  
**For the Year Ended June 30, 2017**

	Water	Wastewater	Total
<b>Cash flows from operating activities:</b>			
Cash received from customers	\$ 501,289	\$ 434,114	\$ 935,403
Cash payments to suppliers	(265,141)	(197,769)	(462,910)
Payments to employees for services	(819,901)	(349,172)	(1,169,073)
Other operating receipts	33,239	140,827	174,066
Net cash used for operating activities	<u>(550,514)</u>	<u>28,000</u>	<u>(522,514)</u>
<b>Cash flows from noncapital financing activities:</b>			
Transfers from (to) other funds	116,766	(116,766)	-
Decrease in amounts due to other funds	(507,697)	507,697	-
Tax receipts	707,943	304,244	1,012,187
Net cash provided by financing activities	<u>317,012</u>	<u>695,175</u>	<u>1,012,187</u>
<b>Capital and related financing activities:</b>			
Principal retirement on long-term debt	(185,343)	-	(185,343)
Capital connections	35,000	-	35,000
Interest paid on long-term debt	(63,155)	-	(63,155)
Purchase of capital assets	(952,747)	-	(952,747)
Net cash provided by (used in) capital and related financing activities	<u>(1,166,245)</u>	<u>-</u>	<u>(1,166,245)</u>
<b>Cash flows from investing activities:</b>			
Grant revenue	664,557	(49)	664,508
Interest received on investments	42,822	-	42,822
Net cash provided by investing activities	<u>707,379</u>	<u>(49)</u>	<u>707,330</u>
Net increase (decrease) in cash and cash equivalents	(692,368)	723,126	30,758
<b>Cash and cash equivalents:</b>			
Beginning of year	811,445	(671,929)	139,516
End of year	<u>\$ 119,077</u>	<u>\$ 51,197</u>	<u>\$ 170,274</u>
<b>Reconciliation of net operating (loss) income to net cash provided by operating activities:</b>			
Net operating income (loss)	\$ (636,928)	\$ (87,262)	\$ (724,190)
<b>Adjustments to reconcile net operating income to net cash provided by operating activities:</b>			
Depreciation	263,038	-	263,038
<b>Changes in assets/liabilities:</b>			
Restricted cash	2,205	-	2,205
Accounts receivable	(107,238)	112,141	4,903
Inventory	654	-	654
Prepayments	(132)	(181)	(313)
Accounts payable	(3,405)	1,945	(1,460)
Accrued expenses	2,000	-	2,000
Compensated absences	7,374	1,357	8,731
Net OPEB obligation	(2,066)	-	(2,066)
PERS payable	-	-	-
GASB 68 effect on pension expense	(76,016)	-	(76,016)
Net cash used for operating activities	<u>\$ (550,514)</u>	<u>\$ 28,000</u>	<u>\$ (522,514)</u>

**STINSON BEACH COUNTY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**June 30, 2017**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***A. General***

The Stinson Beach County Water District was formed in 1962, pursuant to the approval of voters in an election, and it is governed by an elected five-member Board of Directors. The District's service area includes the unincorporated community of Stinson Beach, California. The accompanying financial statements present the District and its component units, entities for which the District is considered to be financially accountable. The District has no component units.

The District obtains its water supply primarily from the collection, storage, and treatment of runoff from natural stream sites and underground wells. Wastewater activities include the inspection, permitting, and monitoring of septic systems due to obligations imposed upon the District by the State Legislature when it created the Stinson Beach Wastewater Management District.

***B. Financial Reporting Entity***

The accompanying basic financial statements of the District reflect only its own activities; it has no component units (other government units overseen by the District).

***C. Basis of Accounting***

The District is a proprietary entity; it uses an enterprise fund format to report its activities for financial statement purposes. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs and expenses, including depreciation, of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

An enterprise fund is used to account for activities similar to those in the private sector, where the proper matching of revenues and costs is important and the full accrual basis of accounting is required. With this measurement focus, all assets and all liabilities of the enterprise are recorded on its balance sheet, all revenues are recognized when earned and all expenses, including depreciation, are recognized when incurred. Enterprise fund equity includes retained earnings and contributed capital.

The proprietary funds apply all applicable Governmental Accounts Standards Board (GASB) pronouncements.

***D. Property Taxes***

Property tax revenue is recognized in the fiscal year for which the tax is levied. The Marin County levies, bills and collects property taxes for the District; all material amounts are collected by June 30.

Secured and unsecured property tax is due in two installments on November 1 and February 1, becomes a lien on January 1, and becomes delinquent on December 10 and April 10, respectively. Delinquent accounts are assessed a penalty of 10 percent. Accounts which remain unpaid on June 30 are charged an additional one and one half percent per month. Unsecured property tax is due on July 1 and becomes delinquent on August 31. The penalty percentage rates are the same as secured property tax.

**STINSON BEACH COUNTY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**June 30, 2017**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***E. Compensated Absences***

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. The liability for unpaid vacation is recorded in the financial statements when the liability is incurred and is reported as the current portion of such compensated absences. The District provides limited payment of unused sick leave at termination date. Balances of \$96,858 and \$41,498 for the water and wastewater funds, respectively, are comprised of the following:

	Water		Wastewater	
	<u>Vacation</u>	<u>Sick</u>	<u>Vacation</u>	<u>Sick</u>
Beginning Balance	\$ 43,750	\$ 45,734	22,646	\$ 17,495
Additions	12,038	4,512	6,761	3,848
Payments	(942)	(8,234)	(5,623)	(3,629)
	<u>\$ 54,846</u>	<u>\$ 42,012</u>	<u>\$ 23,784</u>	<u>\$ 17,714</u>

***F. Inventory***

All inventories are valued at cost based upon physical determinations made at the end of each year.

***G. Long-term Obligations***

In enterprise fund-type financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Discounts associated with the issuance of long-term debt obligations are reported as a reduction of the carrying value of the related debt obligation, and are amortized to interest expense over the life of the debt instrument. Costs associated with the issuance of the debt are capitalized as other noncurrent assets and are amortized to expense over the life of the debt obligation.

***H. Use of Estimates***

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

***I. Pensions***

For purposes of measuring the net pension liability (NPL) and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position (FNP) of the Local Government of Example'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.

**STINSON BEACH COUNTY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**June 30, 2017**

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**2. CASH AND INVESTMENTS**

**A. Policies**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The District's investment policy has been to invest idle cash in demand deposits, time deposits and the Local Agency Investment Fund (LAIF) of the State of California. Investments are reported at fair value. The LAIF is operated in accordance with applicable state laws and regulations, and the reported value of the District's investment in the LAIF is the same as the fair value of the LAIF pool shares. State statutes authorize the District to invest in obligations of the U.S. Treasury, Federal Agency obligations, commercial paper, the LAIF and other instruments. The Trust Agreement underlying the issuance of the Installment Purchase Agreements authorize permitted investments consistent with the State of California Government Code but broader in scope than the District's usual investment practices.

**B. Classification**

Cash and investments are classified in the financial statements as shown below, based on whether or not their use is restricted, at June 30, 2017.

Cash available for District operations	\$	170,274
Restricted cash and investments		29,084
Designated cash and investments		<u>1,204,403</u>
Total		<u>\$ 1,403,761</u>

The District's cash and investments consist of the following at June 30, 2017:

		<u>Rating</u>
Cash and cash equivalents:		
Cash on hand	\$ 816	N/A
Demand deposits	169,458	N/A
Local Agency Investment Fund (LAIF)	1,204,403	N/A
Debt service fund:		
Wells Fargo debt service fund Treasury money market	25,900	AAAm
Blackrock debt service T-Fund	<u>3,184</u>	AAAm
Total	<u>\$ 1,403,761</u>	

**STINSON BEACH COUNTY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**June 30, 2017**

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**2. CASH AND INVESTMENTS (continued)**

***C. Collateralization of Cash and Cash Equivalents***

California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the District's cash on deposit or first trust deed mortgage notes with a value of 150% of the District's cash on deposit as collateral for these deposits. Under California Law this collateral is held in an investment pool by an independent financial institution in the District's name and places the District ahead of general creditors of the institution pledging the collateral. The District has waived collateral requirements for the portion of deposits covered by federal deposit insurance.

***D. Interest Rate and Credit Risk***

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Normally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

The District is a 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. The District reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are maintained on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations. At June 30, 2017, these investments matured in an average of 6 months.

The District invests in Wells Fargo Advantage Treasury money market funds and Blackrock Provident institutional T-Fund which are available for withdrawal on demand.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. None of the District's investments were invested in specific securities. All monies in the LAIF, Blackrock Provident, and Wells Fargo Advantage are not evidenced by specific securities; and therefore are not subject to custodial credit risk.

***E. Restricted Cash and Investments***

The District has the following restrictions on cash and investments:

*Restricted for Debt Service* - The District has moneys held by Wells Fargo Bank, Union Bank of California and Marin County as trustees, pledged to the payment or security of its outstanding bond issues. All transactions associated with debt service are administered by these trustees. The cash and investment amount for June 30, 2017 is \$29,084.

**STINSON BEACH COUNTY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**June 30, 2017**

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**2. CASH AND INVESTMENTS (continued)**

***F. Board Designated Investments***

*Designated for Construction in Progress* – The District has designated investments for acquisition, construction and re-construction of District capital assets. As of June 30, 2017, the amount designated for construction in progress is \$803,809.

*Designated for Emergency Reserves* – The District has designated reserves for emergencies in which the District would need to repair or purchase District assets. As with operational reserves, the District may add funds at any time, not to exceed 100% of the annual operating budget. As of June 30, 2017, the amount designated for emergency reserves is \$400,594.

*Designated for Other Post-Employment Benefits* – The District has designated reserves in accordance with resolutions and memorandums of understanding for the purpose of paying the required percentage every year for CalPERS medical costs at Kaiser as part of the retiree benefit. The District is required to account for this retiree benefit as an annual expense. Currently, the District has two retirees benefitting from this by a total monthly amount of \$218. The retiree pays the balance of the monthly Kaiser expense. As of June 30, 2017, the District opened a trust with CERBT, and has deposited \$138,000 into the trust for payment of OPEB.

**3. CAPITAL ASSETS**

***A. Summary***

Capital assets, which include property, plant, equipment, and infrastructure assets (mainly the existing water system) are reported in the financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets and assets constructed by developers are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed net of construction period interest revenues earned during such periods.

The purpose of depreciation is to spread the cost of utility plant assets equitably among all customers over the life of these assets, so that each customer's bill includes a pro rata share of the cost of these assets. The amount charged to depreciation expense each year represents that year's pro rata share of utility plant cost.

Depreciation of all utility plant in service is charged as an expense against operations each year and the total amount of depreciation taken over the years, called accumulated depreciation, is reported on the balance sheet as a reduction in the book value of the utility plant assets.

Depreciation of utility plant in service is provided using the straight-line method, which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated. The District has assigned the useful lives listed below to utility plant assets:

**STINSON BEACH COUNTY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**June 30, 2017**

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**3. CAPITAL ASSETS (continued)**

Assets	Years
Transmission and treatment plant	25 – 75
Buildings and storage facilities	40
Vehicles and trucks	5 – 10

***B. Additions and Retirements***

Capital asset activity for the year ended June 30, 2017 was as follows:

	Balance at June 30, 2016	Additions	Retirements	Transfers & Adjustments	Balance at June 30, 2017
Capital assets not being depreciated					
Land	\$ 49,240	\$ -	\$ -	\$ -	\$ 49,240
Construction in progress	326,596	282,782	(205)	(105,053)	504,120
Total capital assets not being depreciated	375,836	282,782	(205)	(105,053)	553,360
Capital assets being depreciated					
Buildings and structures	2,587,938	58,755	-	3,586	2,650,279
Pipelines and improvements	4,357,079	112,888	(853)	63,214	4,532,328
Reservoirs and tanks	1,655,457	-	-	-	1,655,457
Hydrants and valves	117,501	7,360	-	19,275	144,136
Vehicles and equipment	466,864	74,061	-	18,978	559,903
Total capital assets being depreciated	9,184,839	253,064	(853)	105,053	9,542,103
Less accumulated depreciation:					
Buildings and structures	557,453	70,480	-	-	627,933
Pipelines and improvements	1,576,804	141,510	-	-	1,718,314
Reservoirs and tanks	471,493	29,902	-	-	501,395
Hydrants and valves	78,757	1,718	-	-	80,475
Vehicles and equipment	367,822	19,428	-	-	387,250
Total accumulated depreciation	3,052,329	\$ 263,038	\$ -	\$ -	3,315,367
Net capital assets being depreciated	6,132,510				6,226,736
Total capital assets, net	\$ 6,508,346				\$ 6,780,096

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**STINSON BEACH COUNTY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**June 30, 2017**

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**4. LONG-TERM DEBT**

***A. Compositions and Changes***

The District generally incurs long-term debt to finance projects or purchase assets, which will have useful lives equal to or greater than the related debt. The District's debt issues and transactions are summarized below and discussed in detail thereafter.

	Maturity Date	Interest Rates	Balance June 30, 2016	Additions (Retirements)	Balance June 30, 2017
General Obligation Bonds	7/1/2018	5.0%	\$ 71,000	\$ (34,000)	\$ 37,000
State Loans	7/1/2025	2.39%	209,450	(21,122)	188,328
2013 Water Revenue Refunding Bond	10/1/2032	3.47%	<u>1,620,570</u>	<u>(130,221)</u>	<u>1,490,349</u>
Total			<u>1,901,020</u>	<u>(185,343)</u>	<u>\$ 1,715,677</u>
Long-term debt due within one year					\$ 187,300
Long-term debt due in more than one year					<u>1,528,377</u>
					<u>\$ 1,715,677</u>

***B. Description of the District's Long Term Debt Issues***

*General Obligations Bonds*

The general obligation bonds, an original issue of \$600,000, bear interest at 5 percent per annum, and mature each July 1 through July 1, 2018. The bonds, unless funds for their repayment are otherwise provided from revenues, are to be repaid from ad valorem taxes levied upon the properties within the District.

*State Loans*

The District entered into a loan agreement with the State Department of Water Resources for the purpose of obtaining construction financing for water system improvements. The loan is secured by a pledge of water revenues. The loan was for \$411,500, bears interest at 2.39 percent and matures July 1, 2025.

*2013 Water Revenue Refunding Bonds*

In fiscal year 2013, the District authorized the issuance of the Refunding Bonds in the principal amount of \$1,997,614. The bond refunded the Installment Agreement with ABAG and CSCDA. The bond bears interest at 3.47 percent and is payable in semi-annual payments each April 1st and October 1st through October 1, 2032. Principal payment are due each October 1st.



**STINSON BEACH COUNTY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**June 30, 2017**

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**4. LONG-TERM DEBT (continued)**

***C. Debt Service Requirements***

Annual debt service requirements are shown below for the above debt issues:

Payments due in fiscal year ended June 30,	Principal	Interest	Total
2018	\$ 187,300	\$ 55,706	\$ 243,006
2019	164,215	48,637	212,852
2020	167,661	43,125	210,786
2021	170,956	37,502	208,458
2022	174,094	31,772	205,866
2023 - 2027	459,987	105,216	565,203
2028 - 2032	334,409	35,547	369,956
2033	57,055	989	58,044
	<u>\$ 1,715,677</u>	<u>\$ 358,494</u>	<u>\$ 2,074,171</u>

**5. NET POSITION**

Net Position is the excess of all the District's assets and deferred outflows over all its liabilities and deferred inflow of resources, regardless of fund. Net Position are divided into three captions. These captions apply only to Net Position and are described below:

*Net investment in Capital Assets* describes the portion of Net Position which is represented by the current net book value of the District's capital assets, less the outstanding balance of any debt issued to finance these assets.

*Restricted* describes the portion of Net Position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the District cannot unilaterally alter. These principally include developer fees received for use on capital projects and debt service requirements.

*Unrestricted* describes the portion of Net Position which is not restricted to use.

**STINSON BEACH COUNTY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**June 30, 2017**

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**6. RETIREMENT PLAN**

***A. General Information about the Pension Plan***

*Plan Descriptions*

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, 2015 Annual Actuarial Valuation Report. This report is a publically available valuation report that can be obtained at CalPERS' website under Forms and Publications. All qualified permanent and probationary employees are eligible to participate in the District's separate Miscellaneous Employee Pension Plans, cost-sharing multiple employer 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 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at June 30, 2017, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or after January 1, 2013
Hire Date		
Benefit formula	2.7% @ 55	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Minimum retirement age	50	52
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.0% to 2.5%

**STINSON BEACH COUNTY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
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**6. RETIREMENT PLAN (continued)**

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS' annual actuarial valuation process. The Plan's actuarially determined rate is based on the estimated amount necessary to pay the costs of benefits earned by employees during the year, with an additional amount to pay any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the measurement period ended June 30, 2016 (the measurement date), the active employee contribution rate is 6.891 percent of annual pay, and the average employer's rate is 12.02 percent of annual payroll.

For the year ended June 30, 2017, the contributions recognized as part of pension expense for each Plan were as follows:

	Miscellaneous Plan
Employer Contributions – Classic Plan	\$ 67,718
Employer Contributions - PEPR	8,298
	\$ 76,016

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

The following table shows the Plan's proportionate share of the risk pool collective net pension liability over the measurement period.

	Proportionate Share of Net Pension Liability	Miscellaneous
Balance at: 6/30/15 - Measurement date	\$ 1,200,034	.049%
Balance at: 6/30/16 – Measurement date	1,399,036	.040%
Total Net Change 2015 – 2016	\$ (199,002)	

The District's net pension liability of \$1,399,036 is measured as the proportionate share of the net pension liability of \$3,473,877,243 (or .04%). The net pension liability is measured as of June 30, 2016, and the total pension liability was determined by an actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

For the year ended June 30, 2017, the District recognized pension expense (revenue) of (\$288,839) for the Plan. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**STINSON BEACH COUNTY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**June 30, 2017**

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**6. RETIREMENT PLAN (continued)**

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 76,016	\$ -
Differences between actual and expected experience	5,827	(1,335)
Changes in assumptions	-	(55,130)
Difference between projected and actual earnings on pension plan investments	462,136	(175,203)
Difference between contribution and proportionate share of contributions	73,248	-
Adjustment due to differences in proportions	<u>110,136</u>	<u>(37,211)</u>
Total	<u>\$ 727,363</u>	<u>\$ (268,879)</u>

Of the \$727,363 reported as deferred outflows of resources, \$76,016 is related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018 (measurement period ended June 30, 2017). Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Measurement Period Ended June 30</u>	<u>Deferred Outflows (Inflows) Of Resources</u>
2017	90,480
2018	85,691
2019	131,978
2020	74,319
Thereafter	-

The amounts above are the net of outflows and inflows recognized in the fiscal 2016 measurement period.

*Actuarial Methods and Assumptions Used to Determine Total Pension Liability*

For the measurement period ending June 30, 2016 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2015 total pension liability. Both the June 30, 2015 total pension liability and the June 30, 2016 total pension liability were determined using the following actuarial methods and assumptions:

**STINSON BEACH COUNTY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
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**6. RETIREMENT PLAN (continued)**

	Miscellaneous
Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Projected Salary Increase	Varies by entry age and service
Investment Rate of return	7.5% <sup>1</sup>
Mortality Rate Table <sup>2</sup>	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies. 2.75% thereafter

- <sup>1.</sup> Net of pension plan investment and administrative expenses; including inflation
- <sup>2.</sup> The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report. The experience study can be found on the CalPERS website under Forms and Publications.

*Discount Rate*

The discount rate used to measure the total pension liability was 7.65%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

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

**STINSON BEACH COUNTY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**June 30, 2017**

**6. RETIREMENT PLAN (continued)**

*Discount Rate (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 returns were calculated over the short-term (first 10 years) and the long-term (11-60 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 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 equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (a)	Real Return Years 11+ (b)
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	12.0%	6.83%	6.95%
Real Estate	11.0%	4.50%	5.13%
Infrastructure and Forestland	3.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%
Total	<u>100%</u>		

(a) An expected inflation of 2.5% used for this period.

(b) An expected inflation of 3.0% used for this period.

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

The following presents the District's proportionate share of the net pension liability, calculated using the discount rate of 7.65 percent, as well as what the District's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (6.65%) or 1-percentage point higher (8.65%) than the current rate:

	Discount Rate -1% (6.65%)	Current Discount Rate (7.65%)	Discount Rate +1% (8.65%)
Plan's Net Pension Liability (Asset)	\$ 2,009,611	\$ 1,399,036	\$ 894,427

**Pension Plan Fiduciary Net Position** – Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

**STINSON BEACH COUNTY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**June 30, 2017**

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**7. OTHER POST-EMPLOYMENT BENEFITS**

The District has implemented the provisions of Governmental Accounting Standards Board Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. This Statement establishes uniform financial reporting standards for employers providing postemployment benefits other than pensions (OPEB). The provisions of this statement are applied prospectively and do not affect prior year's financial statements. Required disclosures are presented below.

**A. Plan Description**

The Stinson Beach County Water District administers the District's Retired Employees' Healthcare plan, a single employer defined benefit health care plan. The plan provides medical benefits to eligible retired District employees and their beneficiaries. The District's plan is affiliated with the State of California PERS in so far as the District health insurance premium payments are paid to the PERS. The PERS through an aggregation of single-employer plans pools administrative functions in regard to purchases of commercial health care policies and coverage. Employees do not get medical or dental upon retirement, unless purchased. The District pays only \$218 a month for retiree health insurance, which increases 3 percent every year and caps out in about seven years. The retiree pays the remaining amount. District resolutions and regulations assign the authority to establish and amend benefit provisions to the District. Separate financial statements of the Plan are not issued by the District.

Effective June 27, 2017, the District joined the California Employers' Retiree Benefit Trust (CERBT) in order to pre-fund the retiree medical costs. The objective of the CERBT is to seek favorable returns that reflect the broad investment performance through asset allocation. The employers who participate in the CERBT own units of the fund's portfolio, which is invested in accordance with the approved strategic asset allocation; they do not have direct ownership of the securities in the portfolio. The unit value changes with market conditions. The CERBT is a self-funded program, in which the participating employers pay the program costs. The cost charged to participating employers is based on the average daily balance of assets. CalPERS issues a separate CAFR. Copies of the CERBT's annual financial report may be obtained from its Affiliate Program Services Division at 400 Q Street, Sacramento, CA 95811.

The following is a summary of the District's market value assets on deposit with its CalPERS CERBT account as of June 30, 2017:

	June 30, 2017
Market value – beginning of year	\$ -
Contributions	138,000
Gain (loss) on investments	-
Administrative expenses	-
Market value – end of year	\$ 138,000
Gain (loss)	0.00%

**STINSON BEACH COUNTY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**June 30, 2017**

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**7. OTHER POST-EMPLOYMENT BENEFITS (continued)**

***B. Actuarial Assumptions***

Projection of benefits for financial reporting purposes are based on the substantive plan (the Plan as understood by the employer and the plan members) includes 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 actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial liabilities and the actuarial value of plan assets, consistent with the long term perspective of the calculations.

In the July 1, 2015 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 6.73 percent investment rate of return which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and on an annual health care cost trend that should be related, ultimately, to the long-term growth of the economy. There were no plan assets to value at the latest plan valuation date. The UAAL is being amortized as a level percentage of projected payroll over 23 years, the remaining amortization period as of June 30, 2017.

***C. Funding Progress and Funded Status***

The District's Net OPEB Obligation (NOO) is recorded in the Statement of Net Position and is calculated as follows:

Annual OPEB cost:	
Annual required contribution (ARC)	\$ 32,512
Interest on net OPEB obligation	8,234
Adjustments to ARC	<u>(7,981)</u>
Total annual OPEB cost	<u>32,765</u>
Less contributions:	
Funding of CERBT Trust	(138,000)
Benefit payment	<u>(20,419)</u>
Total annual OPEB contributions	<u>(158,419)</u>
Change in discount rate	<u>5,567</u>
Increase (decrease) in net OPEB obligation	<u>(120,087)</u>
Net OPEB obligation at June 30, 2016	<u>128,316</u>
Net OPEB obligation at June 30, 2017	<u>\$ 8,229</u>

The actuarial accrued liability (AAL) representing the present value of future benefits as of June 30, 2017 amounted to \$303,988 per the actuarial study dated July 1, 2015.

The Plan's annual required contributions and actual contributions for fiscal years ended June 30, is set forth below:



**STINSON BEACH COUNTY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**June 30, 2017**

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**7. OTHER POST-EMPLOYMENT BENEFITS (continued)**

Fiscal Year	Annual OPEB Cost (AOC)	Actual Contribution	Percentage of AOC Contributed	Net OPEB Obligation
2015	20,040	1,940	9.7%	100,925
2016	36,425	9,004	24.7%	128,316
2017	32,765	158,419	483.5%	8,229

The Schedule of Funding Progress presented in the required supplementary information presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**8. RISK MANAGEMENT**

The District obtains general liability, property, automobile, and workers compensation insurance through its membership in the Association of California Water Agencies Joint Powers Insurance Authority. The Authority is responsible for the first \$5,000,000 per claim under its liability coverage program, and members are covered up to \$60 million for liability claims under the Authority's purchased excess insurance policies. Members are covered for \$150 million in regard to property and equipment through the Authority's purchased excess coverage. Workers compensation coverage is provided to the District equal to statutory limits. The Authority also provides automobile liability coverage and errors and omissions coverage up to \$60 million, and employee fidelity coverage up to \$370,000. The District paid no material uninsured losses during the last three fiscal years.

The following is a summary of the insurance policies in force carried by the District as of June 30, 2017.

Type of Coverage	Limits	Deductible
General Liability	\$ 60,000,000	None
Auto Liability	60,000,000	None
Public Officials Liability	60,000,000	None
Property	150,000,000	500 – 2,500
Fidelity	370,000	1,000
Workers' Compensation	Statutory	None

**STINSON BEACH COUNTY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**June 30, 2017**

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**8. RISK MANAGEMENT (continued)**

Liabilities of the District are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. There were no material uninsured claim liabilities at June 30, 2017.

**9. GRANT AGREEMENT**

In July 2015, the Association of Bay Area Governments (ABAG) and the Department of Water Resources (DWR) entered into an agreement awarding ABAG state grants to help fund 11 local, subregional, and regional projects within the San Francisco Bay Area IRWM region (Work Plan). The District is a subrecipient of those grant funds, and is responsible for completion of their portion of the Work Plan, which is the Stinson Beach Water Supply and Drought Preparedness Plan. It is anticipated that total funds received from ABAG will amount to \$937,452.

As part of the Work Plan, the District expends funds and requests quarterly reimbursements from ABAG. As of June 30, 2017, The District had requested reimbursements of \$924,548 from ABAG, and received \$661,619 during the year. The remaining difference of \$262,929 is comprised of accounts receivable of \$216,305 and 5% retention (\$46,624) on all fund requests held by ABAG until the project is complete.

**10. COMMITMENT AND CONTINGENT LIABILITIES**

**A. *Litigation***

In the opinion of the District's general counsel, there is no pending or threatened litigation which would have a material adverse impact on the accompanying financial statements.

**11. SUBSEQUENT EVENTS**

Management has evaluated events through November 17, 2017, the date on which these financial statements were available to be issued. No events that would require additional disclosure came to their attention.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**Stinson Beach County Water District  
Required Supplementary Information  
For the Year ended June 30, 2017**

Schedule of Proportionate Share of Net Pension Liability  
Last 10 Years\*

	Fiscal Year Ending June 30,		
	2017	2016	2015
Measurement date	6/30/2016	6/30/2015	6/30/2014
Plan's proportion of the Net Pension Liability (Asset)	0.01617%	0.01748%	0.01703%
Plans Proportionate Share of the Net Pension Liability (Asset)	\$ 1,399,036	\$ 1,200,034	\$ 1,059,872
Plan's Covered-Employee Payroll	\$ 720,778	\$ 710,354	\$ 635,273
Plan's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	194.10%	168.93%	166.84%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	69.15%	70.90%	73.52%
Plan's Proportionate Share of Aggregate Employer Contributions	\$ 116,787	\$ 155,547	\$ 146,229

\* Fiscal year ending June 30, 2015 was the first year of implementation, therefore only three years are shown.

**Stinson Beach County Water District  
Required Supplementary Information  
For the Year ended June 30, 2017**

Schedule of Pension Plan Contributions  
Last 10 Years\*

	Fiscal Year Ending June 30,		
	2017	2016	2015
Actuarially Determined Contributions	\$ 116,787	\$ 155,547	\$ 146,229
Contributions in relation to the actuarially determined contribution	<u>(116,787)</u>	<u>(155,547)</u>	<u>(146,229)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 720,778	\$ 710,354	\$ 635,273
Contributions as a percentage of covered-employee payroll	16.20%	21.90%	23.02%

**Notes to Schedule:**

Valuation Date: June 30, 2015

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal cost method
Amortization method	Level percent of payroll
Asset valuation method	Actuarial value of assets
Inflation	2.75%
Salary increase	Varies by age and service
Investment rate of return	7.50%, net of pension plan investment and administrative expense, including inflation
Retirement age	The probabilities of retirement are based on the 2014 CalPERS experience study for the period 1997 - 2011.
Mortality	The probabilities of retirement are based on the 2015 CalPERS experience study for the period 1997 - 2011. Pre-retirement and post-retirement mortality rates include 5 years projected mortality improvements using Scale BB published by the Society of Actuaries.

\* Fiscal year ending June 30, 2015 was the first year of implementation, therefore only three years are shown.

**STINSON BEACH COUNTY WATER DISTRICT**  
**Required Supplementary Information**  
**For the Year Ended June 30, 2017**

Other Post-Employment Benefits Schedule of Funding Progress - CERBT

Actuarial Valuation Date	Actuarial Asset Value	Actuarial Accrued Liability (AAL) Entry Age	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded Actuarial Liability as a % of Covered Payroll
3/1/2010	-	135,941	135,941	0.00%	575,145	23.64%
7/1/2012	-	161,838	161,838	0.00%	665,132	24.33%
7/1/2015 *	-	303,988	303,988	0.00%	710,354	42.79%

The requirements of GASB No. 45 were implemented in 2010; accordingly, there are no factors that significantly affect the identification of trends in the amounts reported.

Note 7 described additional funding information

\* Most recent available valuation



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**STINSON BEACH COUNTY WATER DISTRICT**

**BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2016**

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**STINSON BEACH COUNTY WATER DISTRICT**  
**BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

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## Independent Auditor's Report

Board of Directors  
Stinson Beach County Water District

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

We have audited the accompanying financial statements of the business-type activities of each major fund of Stinson Beach County Water District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Stinson Beach County Water District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of each major fund of Stinson Beach County Water District, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## *Other Matters*

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3 – 8, the Schedule of the District's Proportionate Share of the Net Pension Liability and the Schedule of the District's Contributions on page 35 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Cropper Accountancy Corporation*

CROPPER ACCOUNTANCY CORPORATION

Walnut Creek, CA

February 3, 2017

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Stinson Beach County Water District's annual financial report presents a discussion and analysis of the District's financial performance during the year that ended on June 30, 2016.

### FINANCIAL HIGHLIGHTS

- For the fiscal year ended June 30, 2016, the District continues with the provisions of GASB Statement No. 68 and Statement No. 71. This resulted in deferred inflows of \$479,550 and deferred outflows of \$374,177. The net position of the District's business-type activities increased in fiscal 2016 by \$426,760 compared to the net position of the District at June 30, 2015.
- Total operating expenses for 2016 increased by about \$239,454. Reasons for the increase included new meter purchases, a new utility billing system, a vector trailer, higher health care premiums, grant preparation assistance for labor compliance (Contractor Compliance and Monitoring, Inc.) and Stetson Engineers and salaries and retirement.
- The District's business-type activities from operating revenues in 2016 decreased by a net \$33,212 compared to 2015 as a result of fewer water usage fees.
- The District in 2016 increased its capital assets by a net \$73,347 (after depreciation) as a result of additions from construction of the Patios water lines and for a new well design and permit.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – *management's discussion and analysis* (this section), *the basic financial statements*, and *required supplementary information*. The basic financial statements include one kind of statements that present both a short-term and long-term view of the District.

- *Proprietary* enterprise fund-type statements offer *short-* and *long-term* financial information about the activities that the District operates *like businesses*, such as the District's water treatment and distribution system and wastewater septic permitting and monitoring programs.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that provides more data about the District's pension plan.

Figure A-1 summarizes the major features of the District's financial statements, including the portion of the District they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**FIGURE A-1 Major Financial Statement Features**

	<b>Basic Financial Statements</b>
Scope	Activities the District operates similar to private businesses; the water and wastewater systems
Required financial statements	Statement of net position Statement of revenues, expenses, and changes in net position . Statement of cash flows.
Accounting basis and measurement focus	Accrual accounting and economic measurement focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term focus
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received

### **Basic Financial Statements**

The basic financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes *all* the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of revenues, expenses, and changes in net assets regardless of when cash is received or paid.

The basic financial statements report the District's *net position* and how it has changed. Net position – the difference between the District's assets and liabilities – is one way to measure the District's financial health, or *position*.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.

The basic financial statements of the District consist of one category:

- *Business-type activities* – The District charges fees to help it cover the costs of certain services it provides. All of the District's operations are accounted for in this category. *The District uses proprietary enterprise fund type accounting principles to account for all operations.* Proprietary accounting provides both long-and short-term financial information.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

**Net Position.** The District's *combined* net position increased by \$426,760 between years 2015 and 2016. (See Table A-1.)

**TABLE A-1 NET POSITION OF THE DISTRICT (In Rounded Dollars)**

	Business-Type Activities		Increase (decrease)	
	June 30		Amount	%
	2016	2015		
Current and other assets	\$1,708,379	\$1,289,702	\$418,677	32.5%
Capital assets	6,508,346	6,434,999	73,347	1.1%
Deferred outflows of resources	374,177	200,570	173,607	86.6%
Total assets and deferred outflows of resources	8,590,902	7,925,271	665,631	8.4%
Current and other liabilities	467,513	442,532	24,981	5.6%
Long-term debt outstanding	1,715,677	1,901,020	(185,343)	-9.7%
Accrued pension liability	1,200,034	1,059,872	140,162	13.2%
Deferred inflows of resources	479,550	220,479	259,071	117.5%
Total liabilities and deferred inflows of resources	3,862,774	3,623,903	238,871	6.6%
Net position (Note 5):				
Net investment in capital assets	4,607,326	4,351,471	255,855	5.9%
Restricted	31,289	30,659	630	2.1%
Unrestricted	89,513	(80,762)	170,275	210.8%
Total net position	<u>\$4,728,128</u>	<u>\$4,301,368</u>	<u>\$426,760</u>	<u>9.9%</u>

Net position of the District in 2016 increased about 9.9% compared to the 2015 fiscal year for a total of about \$4,728,128.

The 1.1% increase in capital assets in 2016 results primarily from additions to construction in progress for the Patios water lines and Calles water lines.

Total liabilities of the District increased by about a net \$238,871 in fiscal year 2016. This resulted from the Governmental Accounting Standards Board Statement No. 68, which is the difference between CalPERS estimates of returns (7.5%) versus results of return (6.5%).

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

**Changes in net position.** The District's total revenues in fiscal year 2016 increased an overall \$426,760 due to the Prop. 84 grant revenue received.

A majority, about 55 percent of the District's revenue, comes from charges for services in the form of the sale of water and wastewater permitting and monitoring fees. The remaining 45 percent comes primarily from property taxes and a small amount from interest and other revenues.

The total cost of all programs and services in fiscal 2016 increased to about \$2 million, a \$239,454 increase compared to a \$29,315 increase in 2015. During 2016, we spent more on pension liability.

**TABLE A-2 District's Revenues, Expenses and Changes in Net Position (In Rounded Dollars)**

	Business-Type Activities June 30		Increase (decrease)	
	2016	2015	Amount	%
Revenue				
Program Revenues:				
Charges for services	\$1,023,447	\$1,056,659	\$(33,212)	-3.1%
Investment and other revenue	41,052	37,481	3,571	9.5%
General revenues - property taxes	912,371	877,076	35,295	4.0%
Grant revenues	485,313	-	485,313	100.0%
Total revenues	<u>2,462,183</u>	<u>1,971,216</u>	<u>490,967</u>	<u>24.9%</u>
Expenses				
Salaries and benefits	1,354,990	957,973	397,017	41.4%
Board officer costs	17,813	17,011	802	4.7%
Professional services	196,243	254,126	(57,883)	-22.8%
Other operating expenses	176,626	229,160	(52,534)	-22.9%
Depreciation	240,845	244,603	(3,758)	-1.5%
Interest on long-term debt	69,457	83,467	(14,010)	-16.8%
(Gain) Loss on disposal of assets	(3,051)	9,222	(12,273)	-133.1%
Other nonoperating expenses	-	17,907	(17,907)	-100.0%
Total expenses	<u>2,052,923</u>	<u>1,813,469</u>	<u>239,454</u>	<u>13.2%</u>
Change in net position				
before capital contributions	409,260	157,747	251,513	159.4%
Capital connections	<u>17,500</u>	<u>35,000</u>	<u>(17,500)</u>	<u>-50.0%</u>
Change in net position	426,760	192,747	234,013	121.4%
Net position, beginning	4,301,368	5,283,687	(982,319)	-18.6%
Prior period adjustment	<u>-</u>	<u>(1,175,066)</u>	<u>1,175,066</u>	<u>100.0%</u>
Net position, ending	<u><u>\$4,728,128</u></u>	<u><u>\$4,301,368</u></u>	<u><u>\$426,760</u></u>	<u><u>9.9%</u></u>



## MANAGEMENT'S DISCUSSION AND ANALYSIS

### FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Table A-2 presents the cost of each of the District's largest functions, from an expense perspective—operating expenses, and depreciation on capital assets.

- The cost of all *District functional categories in 2016* was about \$2 million, about \$200,000 more than what was reported in the 2015 year.

Increases came about pension liability.

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

At the end of 2016, the District had invested \$6,508,346 (net of accumulated depreciation) in a broad range of capital assets, including land, treatment plant, distribution lines, pumping stations, improvements, vehicles and small equipment. (See Table A-3.) This amount represents a net increase (including additions and deductions) of about \$73,347 (1.1%).

**TABLE A-3 District Net Investment in Capital Assets (In Rounded Dollars)**

	Capital Assets		Increase (decrease)	
	June 30		Amount	%
	2016	2015		
Land and construction in progress	\$375,836	\$677,102	\$(301,266)	-44.5%
Building and structures	2,587,938	2,417,291	170,647	7.1%
Pipelines and improvements	4,357,079	3,919,533	437,546	11.2%
Tanks	1,655,457	1,655,457	-	0.0%
Hydrants and valves	117,501	117,501	-	0.0%
Equipment and vehicles	466,864	473,127	(6,263)	-1.3%
Accumulated depreciation	(3,052,329)	(2,825,012)	(227,317)	8.0%
<b>Total</b>	<b>\$6,508,346</b>	<b>\$6,434,999</b>	<b>\$73,347</b>	<b>1.1%</b>

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

#### This year's major capital assets additions included:

- Calles and Patios' water lines, numerous leak repairs, a trailer mounted vactor unit, and new water meters.

#### Long-Term Debt

The District has about \$2.80 million in long-term obligations outstanding. About \$1.6 million relates to the 2013 Water Revenue Bonds which refunded the installment agreements borrowed to make capital improvements. Another \$1.20 million relates to the new pension obligation. All debt service required payments were made when and as due in fiscal 2016. Additional information about the District's long-term obligations can be found in the notes to the financial statements.

### ECONOMIC FACTORS AND NEXT YEAR'S OPERATING PLAN AND RATES

- Operating expenses in 2017 are expected to increase by about \$350,000. Most of the expected increase is the capital purchase of about \$200,000 in new water meters and expenses for their installation.
- The District expects to complete construction of a new potable water well.
- The District is not presently considering a water or wastewater increase during Fiscal Year 2017. Property values continue to increase.

### CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, customers, and investors 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 General Manager, Stinson Beach County Water District, at 3785 Shoreline Highway, Stinson Beach, California, 94970.



**STINSON BEACH COUNTY WATER DISTRICT**  
**Statements of Net Position**  
**Proprietary Funds - Enterprise**  
**June 30, 2016**

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
<b>Assets</b>			
Current assets:			
Cash (Note 2)	\$ 811,445	\$ (671,929)	\$ 139,516
Investments (Note 2)	-	-	
Receivables	(42,888)	138,513	95,625
Proposition 84 funds receivable (Note 9)	485,313	-	485,313
Inventory	37,079	-	37,079
Prepayments	11,848	3,244	15,092
Internal balances	(507,697)	507,697	-
Total	<u>795,100</u>	<u>(22,475)</u>	<u>772,625</u>
Restricted cash and investments (Note 2):			
Debt service	<u>31,289</u>	<u>-</u>	<u>31,289</u>
Total restricted cash and investments	<u>31,289</u>	<u>-</u>	<u>31,289</u>
Designated cash and investments (Note 2):			
Construction in progress	485,850	-	485,850
Emergency fund reserves	300,594	-	300,594
Other post employment benefits	<u>118,021</u>	<u>-</u>	<u>118,021</u>
Total designated cash and investments	<u>904,465</u>	<u>-</u>	<u>904,465</u>
Total current assets	<u>1,730,854</u>	<u>(22,475)</u>	<u>1,708,379</u>
Noncurrent assets:			
Capital assets (Note 3):			
Land	49,240	-	49,240
Buildings	2,587,938	-	2,587,938
Distribution system	6,370,338	-	6,370,338
Vehicles	226,563	-	226,563
Construction in progress	326,596	-	326,596
Less accumulated depreciation	<u>(3,052,329)</u>	<u>-</u>	<u>(3,052,329)</u>
Total capital assets, net	<u>6,508,346</u>	<u>-</u>	<u>6,508,346</u>
Total noncurrent assets	<u>6,508,346</u>	<u>-</u>	<u>6,508,346</u>
Total assets	<u>8,239,200</u>	<u>(22,475)</u>	<u>8,216,725</u>
<b>Deferred outflows of resources</b>			
Deferred outflows (Note 6)	<u>374,177</u>	<u>-</u>	<u>374,177</u>
Total deferred outflows of resources	<u>374,177</u>	<u>-</u>	<u>374,177</u>
Total assets and deferred outflows of resources	<u>8,613,377</u>	<u>(22,475)</u>	<u>8,590,902</u>

**STINSON BEACH COUNTY WATER DISTRICT**  
**Statements of Net Position**  
**Proprietary Funds - Enterprise**  
**June 30, 2016**

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	13,560	10,669	24,229
Compensated absences (Note 1.E.)	89,484	40,141	129,625
Bonds, agreements and leases payable (Note 4)	<u>185,343</u>	<u>-</u>	<u>185,343</u>
Total current liabilities	<u>288,387</u>	<u>50,810</u>	<u>339,197</u>
Noncurrent liabilities:			
Bonds, agreements and leases payable (Note 4)	1,715,677		1,715,677
Net other post employment benefit obligation (Note 7.C.)	128,316	-	128,316
Accrued pension liability (Note 6)	<u>1,200,034</u>	<u>-</u>	<u>1,200,034</u>
Total noncurrent liabilities	<u>3,044,027</u>	<u>-</u>	<u>3,044,027</u>
Total liabilities	<u>3,332,414</u>	<u>50,810</u>	<u>3,383,224</u>
<b>Deferred inflows of resources</b>			
Deferred inflows (Note 6)	<u>479,550</u>	<u>-</u>	<u>479,550</u>
Total deferred inflows of resources	<u>479,550</u>	<u>-</u>	<u>479,550</u>
Total liabilities and deferred inflows of resources	<u>3,811,964</u>	<u>50,810</u>	<u>3,862,774</u>
<b>Net position (Note 5):</b>			
Net investment in capital assets	4,607,326	-	4,607,326
Restricted for debt service	31,289	-	31,289
Unrestricted	<u>162,798</u>	<u>(73,285)</u>	<u>89,513</u>
Total net position (deficit)	<u>4,801,413</u>	<u>(73,285)</u>	<u>4,728,128</u>
Total liabilities, deferred inflows of resources and net position (deficit)	<u>\$ 8,613,377</u>	<u>\$ (22,475)</u>	<u>\$ 8,590,902</u>

**STINSON BEACH COUNTY WATER DISTRICT**  
**Statements of Revenues, Expenses, and Changes in Net Position**  
**Proprietary Funds - Enterprise**  
**For the Year Ended June 30, 2016**

Operating revenue:	Water	Wastewater	Total
Sale of water	\$ 584,893	\$ -	\$ 584,893
Water usage charge	-	-	-
Wastewater fees	-	324,727	324,727
Other operating revenues	23,980	89,847	113,827
<b>Total operating revenue</b>	<b>608,873</b>	<b>414,574</b>	<b>1,023,447</b>
<b>Operating expense:</b>			
Salaries and wages	494,445	249,361	743,806
Employee benefits (net of GASB 68 pension expense)	497,418	113,766	611,184
Board officers' costs	9,513	8,300	17,813
Professional services	97,722	98,521	196,243
Insurance	17,835	6,712	24,547
Miscellaneous outside services	18,498	9,795	28,293
Utilities	33,122	14,191	47,313
Office operations	38,421	12,511	50,932
Equipment maintenance and supplies	16,643	8,898	25,541
Depreciation (Note 3.B.)	240,845	-	240,845
<b>Total operating expense</b>	<b>1,464,462</b>	<b>522,055</b>	<b>1,986,517</b>
<b>Net operating income (loss)</b>	<b>(855,589)</b>	<b>(107,481)</b>	<b>(963,070)</b>
<b>Nonoperating revenue (expense):</b>			
Property taxes	697,230	225,952	923,182
Property tax collection fee	(10,811)	-	(10,811)
Interest expense	(69,457)	-	(69,457)
Gain (loss) on disposal of fixed assets	3,051	-	3,051
Grant revenue	485,313	-	485,313
Interest and investment revenue	41,052	-	41,052
<b>Net non-operating revenue</b>	<b>1,146,378</b>	<b>225,952</b>	<b>1,372,330</b>
<b>Income (loss) before capital contributions</b>	<b>290,789</b>	<b>118,471</b>	<b>409,260</b>
Capital connection fees	17,500	-	17,500
<b>Change in net position</b>	<b>308,289</b>	<b>118,471</b>	<b>426,760</b>
Net position (deficit) - beginning	4,493,124	(191,756)	4,301,368
<b>Net position (deficit) - ending</b>	<b>\$ 4,801,413</b>	<b>\$ (73,285)</b>	<b>\$ 4,728,128</b>

**STINSON BEACH COUNTY WATER DISTRICT**  
**Statements of Cash Flows**  
**Proprietary Funds - Enterprise**  
**For the Year Ended June 30, 2016**

	Water	Wastewater	Total
<b>Cash flows from operating activities:</b>			
Cash received from customers	\$ 672,329	\$ 238,316	\$ 910,645
Cash payments to suppliers	(245,602)	(149,872)	(395,474)
Payments to employees for services	(765,147)	(371,593)	(1,136,740)
Other operating receipts	25,310	89,848	115,158
Net cash used for operating activities	<u>(313,110)</u>	<u>(193,301)</u>	<u>(506,411)</u>
<b>Cash flows from noncapital financing activities:</b>			
Advances from (to) other funds	507,697	(507,697)	-
Tax receipts	686,419	225,952	912,371
Net cash provided by financing activities	<u>1,194,116</u>	<u>(281,745)</u>	<u>912,371</u>
<b>Capital and related financing activities:</b>			
Principal retirement on long-term debt	(179,258)	-	(179,258)
Capital connections	17,500	-	17,500
Interest paid on long-term debt	(69,457)	-	(69,457)
Loss on sale of assets	3,051	-	3,051
Purchase of capital assets	(200,641)	3,250	(197,391)
Net cash provided by (used in) capital and related financing activities	<u>(428,805)</u>	<u>3,250</u>	<u>(425,555)</u>
<b>Cash flows from investing activities:</b>			
Interest received on investments	41,052	-	41,052
Net cash provided by investing activities	<u>41,052</u>	<u>-</u>	<u>41,052</u>
Net increase (decrease) in cash and cash equivalents	493,253	(471,796)	21,457
<b>Cash and cash equivalents:</b>			
Beginning of year	318,192	(200,133)	118,059
End of year	<u>\$ 811,445</u>	<u>\$ (671,929)</u>	<u>\$ 139,516</u>
<b>Reconciliation of net operating (loss) income to net cash provided by operating activities:</b>			
Net operating income (loss)	\$ (855,589)	\$ (107,481)	\$ (963,070)
<b>Adjustments to reconcile net operating income to net cash provided by operating activities:</b>			
Depreciation	240,845	-	240,845
<b>Changes in assets/liabilities:</b>			
Restricted cash	(630)	-	(630)
Investments	1,330	-	1,330
Accounts receivable	88,066	(86,411)	1,655
Inventory	(1,452)	-	(1,452)
Prepayments	(7,842)	(2,200)	(10,042)
Accounts payable	3,635	14,222	17,857
Accrued expenses	(17,702)	(11,265)	(28,967)
Unearned revenue	-	-	-
Compensated absences	(424)	5,077	4,653
Net OPEB obligation	7,852	-	7,852
PERS payable	3,175	(5,243)	(2,068)
GASB 68 effect on pension expense	225,626	-	225,626
Net cash used for operating activities	<u>\$ (313,110)</u>	<u>\$ (193,301)</u>	<u>\$ (506,411)</u>

**STINSON BEACH COUNTY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**June 30, 2016**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***A. General***

The Stinson Beach County Water District was formed in 1962, pursuant to the approval of voters in an election, and it is governed by an elected five-member Board of Directors. The District's service area includes the unincorporated community of Stinson Beach, California. The accompanying financial statements present the District and its component units, entities for which the District is considered to be financially accountable. The District has no component units.

The District obtains its water supply primarily from the collection, storage, and treatment of runoff from natural stream sites and underground wells. Wastewater activities include the inspection, permitting, and monitoring of septic systems due to obligations imposed upon the District by the State Legislature when it created the Stinson Beach Wastewater Management District.

***B. Financial Reporting Entity***

The accompanying basic financial statements of the District reflect only its own activities; it has no component units (other government units overseen by the District).

***C. Basis of Accounting***

The District is a proprietary entity; it uses an enterprise fund format to report its activities for financial statement purposes. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs and expenses, including depreciation, of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

An enterprise fund is used to account for activities similar to those in the private sector, where the proper matching of revenues and costs is important and the full accrual basis of accounting is required. With this measurement focus, all assets and all liabilities of the enterprise are recorded on its balance sheet, all revenues are recognized when earned and all expenses, including depreciation, are recognized when incurred. Enterprise fund equity includes retained earnings and contributed capital.

The proprietary funds apply all applicable Governmental Accounts Standards Board (GASB) pronouncements.

***D. Property Taxes***

Property tax revenue is recognized in the fiscal year for which the tax is levied. The Marin County levies, bills and collects property taxes for the District; all material amounts are collected by June 30.

Secured and unsecured property tax is due in two installments on November 1 and February 1, becomes a lien on January 1, and becomes delinquent on December 10 and April 10, respectively. Delinquent accounts are assessed a penalty of 10 percent. Accounts which remain unpaid on June 30 are charged an additional one and one half percent per month. Unsecured property tax is due on July 1 and becomes delinquent on August 31. The penalty percentage rates are the same as secured property tax.



**STINSON BEACH COUNTY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***E. Compensated Absences***

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. The liability for unpaid vacation is recorded in the financial statements when the liability is incurred and is reported as the current portion of such compensated absences. The District provides limited payment of unused sick leave at termination date.

	Water	Wastewater
Beginning Balance	\$ 89,908	\$ 35,064
Additions	15,229	13,632
Payments	(15,653)	(8,555)
	\$ 89,484	\$ 40,141

***F. Inventory***

All inventories are valued at cost based upon physical determinations made at the end of each year.

***G. Long-term Obligations***

In enterprise fund-type financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Discounts associated with the issuance of long-term debt obligations are reported as a reduction of the carrying value of the related debt obligation, and are amortized to interest expense over the life of the debt instrument. Costs associated with the issuance of the debt are capitalized as other noncurrent assets and are amortized to expense over the life of the debt obligation.

***H. Use of Estimates***

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

***I. Pensions***

For purposes of measuring the net pension liability (NPL) and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position (FNP) of the Local Government of Example'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.

**STINSON BEACH COUNTY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
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**2. CASH AND INVESTMENTS**

**A. Policies**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The District's investment policy has been to invest idle cash in demand deposits, time deposits and the Local Agency Investment Fund (LAIF) of the State of California. Investments are reported at fair value. The LAIF is operated in accordance with applicable state laws and regulations, and the reported value of the District's investment in the LAIF is the same as the fair value of the LAIF pool shares. State statutes authorize the District to invest in obligations of the U.S. Treasury, Federal Agency obligations, commercial paper, the LAIF and other instruments. The Trust Agreement underlying the issuance of the Installment Purchase Agreements authorize permitted investments consistent with the State of California Government Code but broader in scope than the District's usual investment practices.

**B. Classification**

Cash and investments are classified in the financial statements as shown below, based on whether or not their use is restricted, at June 30, 2016.

Cash available for District operations	\$	139,516
Restricted cash and investments		31,289
Designated cash and investments		904,465
Total		\$ 1,075,270

The District's cash and investments consist of the following at June 30, 2016:

		Rating
Cash and cash equivalents:		
Cash on hand	\$	198
Demand deposits		139,318
Local Agency Investment Fund (LAIF)		904,465
Debt service fund:		
Wells Fargo debt service fund Treasury money market		25,882
Blackrock debt service T-Fund		5,407
Total		\$ 1,075,270

**STINSON BEACH COUNTY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**June 30, 2016**

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**2. CASH AND INVESTMENTS (continued)**

***C. Collateralization of Cash and Cash Equivalents***

California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the District's cash on deposit or first trust deed mortgage notes with a value of 150% of the District's cash on deposit as collateral for these deposits. Under California Law this collateral is held in an investment pool by an independent financial institution in the District's name and places the District ahead of general creditors of the institution pledging the collateral. The District has waived collateral requirements for the portion of deposits covered by federal deposit insurance.

***D. Interest Rate and Credit Risk***

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Normally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

The District is a 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. The District reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are maintained on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations. At June 30, 2016, these investments matured in an average of 167 days.

The District invests in Wells Fargo Advantage Treasury money market funds and Blackrock Provident institutional T-Fund which are available for withdrawal on demand.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. None of the District's investments were invested in specific securities. All monies in the LAIF, Blackrock Provident, and Wells Fargo Advantage are not evidenced by specific securities; and therefore are not subject to custodial credit risk.

***E. Restricted Cash and Investments***

The District has the following restrictions on cash and investments:

*Restricted for Debt Service* - The District has moneys held by Wells Fargo Bank, Union Bank of California and Marin County as trustees, pledged to the payment or security of its outstanding bond issues. All transactions associated with debt service are administered by these trustees. The cash and investment amount for June 30, 2016 is \$31,289.

**STINSON BEACH COUNTY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**June 30, 2016**

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**2. CASH AND INVESTMENTS (continued)**

***F. Board Designated Investments***

*Designated for Construction in Progress* – The District has designated investments for acquisition, construction and re-construction of District capital assets. As of June 30, 2016, the amount designated for construction in progress is \$485,850.

*Designated for Emergency Reserves* – The District has designated reserves for emergencies in which the District would need to repair or purchase District assets. As with operational reserves, the District may add funds at any time, not to exceed 100% of the annual operating budget. As of June 30, 2016, the amount designated for emergency reserves is \$300,594.

*Designated for Other Post-Employment Benefits* – The District has designated reserves in accordance with resolutions and memorandums of understanding for the purpose of paying the required percentage every year for CalPERS medical costs at Kaiser as part of the retiree benefit. The District is required to account for this retiree benefit as an annual expense. Currently, the District has two retirees benefitting from this by a total monthly amount of \$200. The retiree pays the balance of the monthly Kaiser expense. As of June 30, 2016, the amount designated for other post-employment benefits is \$118,021.

**3. CAPITAL ASSETS**

***A. Summary***

Capital assets, which include property, plant, equipment, and infrastructure assets (mainly the existing water system) are reported in the financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets and assets constructed by developers are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed net of construction period interest revenues earned during such periods.

The purpose of depreciation is to spread the cost of utility plant assets equitably among all customers over the life of these assets, so that each customer's bill includes a pro rata share of the cost of these assets. The amount charged to depreciation expense each year represents that year's pro rata share of utility plant cost.

Depreciation of all utility plant in service is charged as an expense against operations each year and the total amount of depreciation taken over the years, called accumulated depreciation, is reported on the balance sheet as a reduction in the book value of the utility plant assets.

Depreciation of utility plant in service is provided using the straight-line method, which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated. The District has assigned the useful lives listed below to utility plant assets:

**STINSON BEACH COUNTY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
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**3. CAPITAL ASSETS (continued)**

Assets	Years
Transmission and treatment plant	25 – 75
Buildings and storage facilities	40
Vehicles and trucks	5 – 10

***B. Additions and Retirements***

Capital asset activity for the year ended June 30, 2016 was as follows:

	Balance at June 30, 2015	Additions	Retirements	Transfers & Adjustments	Balance at June 30, 2016
Capital assets not being depreciated					
Land	\$ 49,240	\$ -	\$ -	\$ -	\$ 49,240
Construction in progress	627,862	147,144		(448,410)	326,596
Total capital assets not being depreciated	677,102	147,144	-	(448,410)	375,836
Capital assets being depreciated					
Buildings and structures	2,417,291	163,778	-	6,869	2,587,938
Pipelines and improvements	3,919,533	3,173	(7,168)	441,541	4,357,079
Reservoirs and tanks	1,655,457	-	-	-	1,655,457
Hydrants and valves	117,501	-	-	-	117,501
Vehicles and equipment	473,127	1,168	(7,431)	-	466,864
Total capital assets being depreciated	8,582,909	168,119	(14,599)	448,410	9,184,839
Less accumulated depreciation:					
Buildings and structures	491,062	66,391	-	-	557,453
Pipelines and improvements	1,454,024	129,073	(6,293)	-	1,576,804
Reservoirs and tanks	441,591	29,902	-	-	471,493
Hydrants and valves	77,046	1,711	-	-	78,757
Vehicles and equipment	361,289	13,768	(7,235)	-	367,822
Total accumulated depreciation	2,825,012	\$ 240,845	\$ (13,528)	\$ -	3,052,329
Net capital assets being depreciated	5,757,897				6,132,510
Total capital assets, net	\$ 6,434,999				\$ 6,508,346

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**STINSON BEACH COUNTY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**June 30, 2016**

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**4. LONG-TERM DEBT**

***A. Compositions and Changes***

The District generally incurs long-term debt to finance projects or purchase assets, which will have useful lives equal to or greater than the related debt. The District's debt issues and transactions are summarized below and discussed in detail thereafter.

	Maturity Date	Interest Rates	Balance June 30, 2015	Additions (Retirements)	Balance June 30, 2016
General Obligation Bonds	7/1/2018	5.0%	\$ 103,000	\$ (32,000)	\$ 71,000
State Loans	7/1/2025	2.39%	230,077	(20,627)	209,450
2013 Water Revenue Refunding Bond	10/1/2032	3.47%	<u>1,747,201</u>	<u>(126,631)</u>	<u>1,620,570</u>
Total			<u>2,080,278</u>	<u>(179,258)</u>	<u>\$ 1,901,020</u>
Long-term debt due within one year					\$ 185,343
Long-term debt due in more than one year					<u>1,715,677</u>
					<u>\$ 1,901,020</u>

***B. Description of the District's Long Term Debt Issues***

*General Obligations Bonds*

The general obligation bonds, an original issue of \$600,000, bear interest at 5 percent per annum, and mature each July 1 through July 1, 2018. The bonds, unless funds for their repayment are otherwise provided from revenues, are to be repaid from ad valorem taxes levied upon the properties within the District.

*State Loans*

The District entered into a loan agreement with the State Department of Water Resources for the purpose of obtaining construction financing for water system improvements. The loan is secured by a pledge of water revenues. The loan was for \$411,500, bears interest at 2.39 percent and matures July 1, 2025.

*2013 Water Revenue Refunding Bonds*

In fiscal year 2013, the District authorized the issuance of the Refunding Bonds in the principal amount of \$1,997,614. The bond refunded the Installment Agreement with ABAG and CSCDA. The bond bears interest at 3.47 percent and is payable in semi-annual payments each April 1st and October 1st through October 1, 2032. Principal payment are due each October 1st.

**STINSON BEACH COUNTY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**June 30, 2016**

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**4. LONG-TERM DEBT (continued)**

***C. Debt Service Requirements***

Annual debt service requirements are shown below for the above debt issues:

Payments due in fiscal year ended June 30,	Principal	Interest	Total
2017	\$ 185,343	\$ 62,404	\$ 247,747
2018	187,300	55,706	243,006
2019	164,215	48,637	212,852
2020	167,661	43,125	210,786
2021	170,956	37,502	208,458
2022 - 2026	551,980	121,960	673,940
2027 - 2031	362,865	47,645	410,510
2032 - 2033	110,700	3,901	114,601
	<u>\$ 1,901,020</u>	<u>\$ 420,880</u>	<u>\$ 2,321,900</u>

**5. NET POSITION**

Net Position is the excess of all the District's assets and deferred outflows over all its liabilities and deferred inflow of resources, regardless of fund. Net Position are divided into three captions. These captions apply only to Net Position and are described below:

*Net investment in Capital Assets* describes the portion of Net Position which is represented by the current net book value of the District's capital assets, less the outstanding balance of any debt issued to finance these assets.

*Restricted* describes the portion of Net Position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the District cannot unilaterally alter. These principally include developer fees received for use on capital projects and debt service requirements.

*Unrestricted* describes the portion of Net Position which is not restricted to use.

**STINSON BEACH COUNTY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**June 30, 2016**

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**6. RETIREMENT PLAN**

***A. General Information about the Pension Plan***

*Plan Descriptions*

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, 2013 Annual Actuarial Valuation Report. This report is a publically available valuation report that can be obtained at CalPERS' website under Forms and Publications. All qualified permanent and probationary employees are eligible to participate in the District's separate Miscellaneous Employee Pension Plans, cost-sharing multiple employer 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 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at June 30, 2016, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or after January 1, 2013
Hire Date		
Benefit formula	2.7% @ 55	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	52 - 67
Monthly benefits, as % of eligible compensation	2.0% to 2.7%	1.0% to 2.5%
Required employee contribution rates	8%	6.25%
Required employer contribution rates	24.1%	6.25%



**STINSON BEACH COUNTY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**June 30, 2016**

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**6. RETIREMENT PLAN (continued)**

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS' annual actuarial valuation process. The Plan's actuarially determined rate is based on the estimated amount necessary to pay the costs of benefits earned by employees during the year, with an additional amount to pay any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the measurement period ended June 30, 2015 (the measurement date), the active employee contribution rate is 7.718 percent of annual pay, and the average employer's rate is 22.988 percent of annual payroll.

For the year ended June 30, 2016, the contributions recognized as part of pension expense for each Plan were as follows:

	Miscellaneous Plan
Employer Contributions – Classic Plan	\$ 155,871
Employer Contributions - PEPR	7,601
	\$ 163,472

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

The following table shows the Plan's proportionate share of the risk pool collective net pension liability over the measurement period.

	Proportionate Share of Net Pension Liability	Miscellaneous
Balance at: 6/30/14 - Measurement date	\$ 1,059,872	.043%
Balance at: 6/30/15 – Measurement date	1,200,034	.049%
Total Net Change 2014 – 2015	\$ (140,162)	

The District's net pension liability of \$1,200,034 is measured as the proportionate share of the net pension liability of \$2,473,467,016 (or .049%). The net pension liability is measured as of June 30, 2015, and the total pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

For the year ended June 30, 2016, the District recognized pension expense of \$225,626 for the Plan. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**STINSON BEACH COUNTY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
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**6. RETIREMENT PLAN (continued)**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 163,472	\$ -
Differences between actual and expected experience	9,969	-
Changes in assumptions	-	(94,319)
Net differences between projected and actual earnings on pension plan investments	200,736	(202,086)
Adjustment due to differences in proportions	-	(183,145)
Total	\$ 374,177	\$ (479,550)

Of the \$374,177 reported as deferred outflows of resources, \$163,472 is related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016 (measurement period ended June 30, 2015). Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Period Ended June 30	Deferred Outflows (Inflows) Of Resources
2016	(70,749)
2017	(70,749)
2018	(70,749)
2019	(56,598)
Thereafter	-

The amounts above are the net of outflows and inflows recognized in the fiscal 2015 measurement period.

*Actuarial Methods and Assumptions Used to Determine Total Pension Liability*

For the measurement period ending June 30, 2015 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2014 total pension liability. Both the June 30, 2014 total pension liability and the June 30, 2015 total pension liability were determined using the following actuarial methods and assumptions:

**STINSON BEACH COUNTY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**June 30, 2016**

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**6. RETIREMENT PLAN (continued)**

	Miscellaneous
Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	Varies by entry age and service
Investment Rate of return	7.5% <sup>1</sup>
Mortality Rate Table <sup>2</sup>	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies. 2.75% thereafter

1. Net of pension plan investment and administrative expenses; including inflation
2. The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report. The experience study can be found on the CalPERS website under Forms and Publications.

Discount Rate

The discount rate used to measure the total pension liability was 7.65%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

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

**STINSON BEACH COUNTY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
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**6. RETIREMENT PLAN (continued)**

*Discount Rate (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 returns were calculated over the short-term (first 10 years) and the long-term (11-60 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 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 equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (a)	Real Return Years 11+ (b)
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	19.0%	.99%	2.43%
Inflation Sensitive	6.0%	.45%	3.36%
Private Equity	10.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%
Infrastructure and Forestland	3.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%
Total	<u>100%</u>		

(a) An expected inflation of 2.5% used for this period.

(b) An expected inflation of 3.0% used for this period.

**STINSON BEACH COUNTY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
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**6. RETIREMENT PLAN (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, calculated using the discount rate of 7.50 percent, as well as what the District's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (6.50%) or 1-percentage point higher (8.50%) than the current rate:

	Discount Rate -1% (6.65%)	Current Discount Rate (7.65%)	Discount Rate +1% (8.65%)
Plan's Net Pension Liability (Asset)	\$ 2,012,541	\$ 1,200,034	\$ 529,215

***Pension Plan Fiduciary Net Position*** – Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

**7. OTHER POST-EMPLOYMENT BENEFITS**

The District has implemented the provisions of Governmental Accounting Standards Board Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. This Statement establishes uniform financial reporting standards for employers providing postemployment benefits other than pensions (OPEB). The provisions of this statement are applied prospectively and do not affect prior year's financial statements. Required disclosures are presented below.

***A. Plan Description***

The Stinson Beach County Water District administers the District's Retired Employees' Healthcare plan, a single employer defined benefit health care plan. The plan provides medical benefits to eligible retired District employees and their beneficiaries. The District's plan is affiliated with the State of California PERS in so far as the District health insurance premium payments are paid to the PERS. The PERS through an aggregation of single-employer plans pools administrative functions in regard to purchases of commercial health care policies and coverage. Employees do not get medical or dental upon retirement, unless purchased. The District pays only \$100 a month for retiree health insurance, which increases 3 percent every year and caps out in about seven years. The retiree pays the remaining amount. District resolutions and regulations assign the authority to establish and amend benefit provisions to the District. Separate financial statements of the Plan are not issued by the District. A separate OPEB Trust or equivalent arrangement has not been established by the District.

**STINSON BEACH COUNTY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**June 30, 2016**

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**7. OTHER POST-EMPLOYMENT BENEFITS (continued)**

***B. Actuarial Assumptions***

Projection of benefits for financial reporting purposes are based on the substantive plan (the Plan as understood by the employer and the plan members) includes 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 actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial liabilities and the actuarial value of plan assets, consistent with the long term perspective of the calculations.

In the July 1, 2015 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a five percent investment rate of return which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and on an annual health care cost trend that should be related, ultimately, to the long-term growth of the economy. There were no plan assets to value at the latest plan valuation date. The UAAL is being amortized as a level percentage of projected payroll over 24 years, the remaining amortization period as of June 30, 2016.

***C. Funding Progress and Funded Status***

The District's Net OPEB Obligation (NOO) is recorded in the Statement of Net Position and is calculated as follows:

Annual OPEB cost:	
Annual required contribution (ARC)	\$ 36,699
Interest on net OPEB obligation	5,045
Adjustments to ARC	<u>(5,319)</u>
Total annual OPEB cost	<u>36,425</u>
Less contributions:	
Benefit payment	<u>(9,004)</u>
Increase (decrease in net OPEB obligation)	<u>27,421</u>
Net OPEB obligation at June 30, 2015	<u>100,895</u>
Net OPEB obligation at June 30, 2016	<u>\$ 128,316</u>

The actuarial accrued liability (AAL) representing the present value of future benefits as of June 30, 2016 amounted to \$395,423 per the actuarial study dated July 1, 2015.

The Plan's annual required contributions and actual contributions for fiscal years ended June 30, is set forth below:

**STINSON BEACH COUNTY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**June 30, 2016**

**7. OTHER POST-EMPLOYMENT BENEFITS (continued)**

Fiscal Year	Annual OPEB Cost (AOC)	Actual Contribution	Percentage of AOC Contributed	Net OPEB Obligation
2014	18,624	1,547	8.3%	82,795
2015	20,040	1,940	9.7%	100,925
2016	36,425	9,004	24.7%	128,316

The Schedule of Funding Progress presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Trend data from the actuarial study is presented below:

Actuarial Valuation Date	Actuarial Value of Assets (A)	Entry Age Actuarial Liability (B)	Unfunded (Overfunded) Actuarial Liability (B - A)	Funded Ratio (A/B)	Covered Payroll (C)	Actuarial Liability as a Percentage of Payroll [(B-A)/C]
3/1/2010	\$ -	\$ 135,941	\$ 135,941	0.00%	\$ 575,145	23.64%
7/1/2012	-	161,838	161,838	0.00%	665,132	24.33%
7/1/2015		395,423	395,423	0.00%	710,354	55.67%

**8. RISK MANAGEMENT**

The District obtains general liability, property, automobile, and workers compensation insurance through its membership in the Association of California Water Agencies Joint Powers Insurance Authority. The Authority is responsible for the first \$2,000,000 per claim under its liability coverage program, and members are covered up to \$60 million for liability claims under the Authority's purchased excess insurance policies. Members are covered for \$150 million in regard to property and equipment through the Authority's purchased excess coverage. Workers compensation coverage is provided to the District equal to statutory limits. The Authority also provides automobile liability coverage and errors and omissions coverage up to \$30 million, and employee fidelity coverage up to \$370,000. The District paid no material uninsured losses during the last three fiscal years.

The following is a summary of the insurance policies in force carried by the District as of June 30, 2016.

Type of Coverage	Limits	Deductible
General Liability	\$30,000,000	None
Auto Liability	30,000,000	None
Public Officials Liability	30,000,000	None
Property	150,000,000	500 – 2,500
Fidelity	370,000	1,000
Workers' Compensation	Statutory	None

**STINSON BEACH COUNTY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**June 30, 2016**

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**8. RISK MANAGEMENT (continued)**

Liabilities of the District are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. There were no material uninsured claim liabilities at June 30, 2016.

**9. GRANT AGREEMENT**

In July 2015, the Association of Bay Area Governments (ABAG) and the Department of Water Resources (DWR) entered into an agreement awarding ABAG state grants to help fund 11 local, subregional, and regional projects within the San Francisco Bay Area IRWM region (Work Plan). The District is a subrecipient of those grant funds, and is responsible for completion of their portion of the Work Plan, which is the Stinson Beach Water Supply and Drought Preparedness Plan. It is anticipated that total funds received from ABAG will amount to \$937,452.

As part of the Work Plan, the District expends funds and requests quarterly reimbursements from ABAG. At June 30, 2016, The District had requested reimbursements of \$511,274 from ABAG. The net receivable of \$485,313 listed as an asset on the Statement of Net Position is a result of ABAG holding a 5% retention (\$25,961) on all fund requests until the project is complete.

**10. COMMITMENT AND CONTINGENT LIABILITIES**

***A. Litigation***

In the opinion of the District's general counsel, there is no pending or threatened litigation which would have a material adverse impact on the accompanying financial statements.

**11. SUBSEQUENT EVENTS**

Management has evaluated events through February 2, 2017, the date on which these financial statements were available to be issued. No events that would require additional disclosure came to their attention.



## **REQUIRED SUPPLEMENTARY INFORMATION**

**STINSON BEACH COUNTY WATER DISTRICT**  
**Required Supplementary Information**  
**For the Years Ended June 30, 2016 and Prior**

Schedule of Proportionate Share of Net Pension Liability  
Last 10 Years\*

	Plan's Proportion of the Net Pension Liability/ <u>(Asset)</u>	Plan's Proportionate Share of the Net Pension Liability/ <u>(Asset)</u>	Plan's Covered- Employee <u>Payroll</u>	Plan's Proportionate Share of the Net Pension Liability/ (Asset) as a Percentage of its Covered- Employee <u>Payroll</u>	Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension <u>Liability</u>
<u>CLASSIC</u>					
June 30, 2015	<b>0.01703%</b>	<b>\$ 1,059,872</b>	<b>\$ 635,273</b>	<b>166.84%</b>	<b>73.52%</b>
June 30, 2016	<b>0.01749%</b>	<b>\$ 1,200,188</b>	<b>\$ 590,242</b>	<b>203.34%</b>	<b>70.85%</b>
<u>PEPRA</u>					
June 30, 2015	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
June 30, 2016	<b>0.00000%</b>	<b>\$ (154)</b>	<b>\$ 120,112</b>	<b>-0.13%</b>	<b>102.46%</b>

\* Fiscal year ending June 30, 2015, was the first year of implementation, therefore only two years are shown.

**STINSON BEACH COUNTY WATER DISTRICT**  
**Required Supplementary Information**  
**For the Years Ended June 30, 2016 and Prior**

Schedule of District's Pension Plan Contributions  
Last 10 Years\*

	<u>Actuarially determined contributions</u>	<u>Contributions in relation to the actuarially determined contribution</u>	<u>Contribution deficiency (excess)</u>	<u>Covered- employee payroll</u>	<u>Contributions as a percentage covered- employee payroll</u>
<u>CLASSIC</u>					
June 30, 2015	<b>146,229</b>	<b>(146,229)</b>	-	<b>635,273</b>	<b>23.02%</b>
June 30, 2016	<b>150,048</b>	<b>(150,048)</b>	-	<b>590,242</b>	0.254214373
<u>PEPRA</u>					
June 30, 2015	N/A	N/A	N/A	N/A	N/A
June 30, 2016	<b>5,499</b>	<b>(5,499)</b>	-	<b>120,112</b>	4.58%

**Notes to Schedule:**

Valuation Date: June 30, 2015

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal cost method
Amortization method	Level percent of payroll
Asset valuation method	Actuarial value of assets
Inflation	2.75%
Payroll growth	3.00%
Salary increase	Varies by age and service
Investment rate of return	7.50%, net of pension plan investment and administrative expense, including inflation
Retirement age	The probabilities of retirement are based on the 2014 CalPERS experience study for the period 1997-2011
Mortality	The probabilities of retirement are based on the 2015 CalPERS experience study for the period 1997-2011. Pre-retirement and post-retirement mortality rates include 5 years of projected mortality improvements using Scale BB published by the Society of Actuaries

\* Fiscal year ending June 30, 2015, was the first year of implementation, therefore only two years are shown.