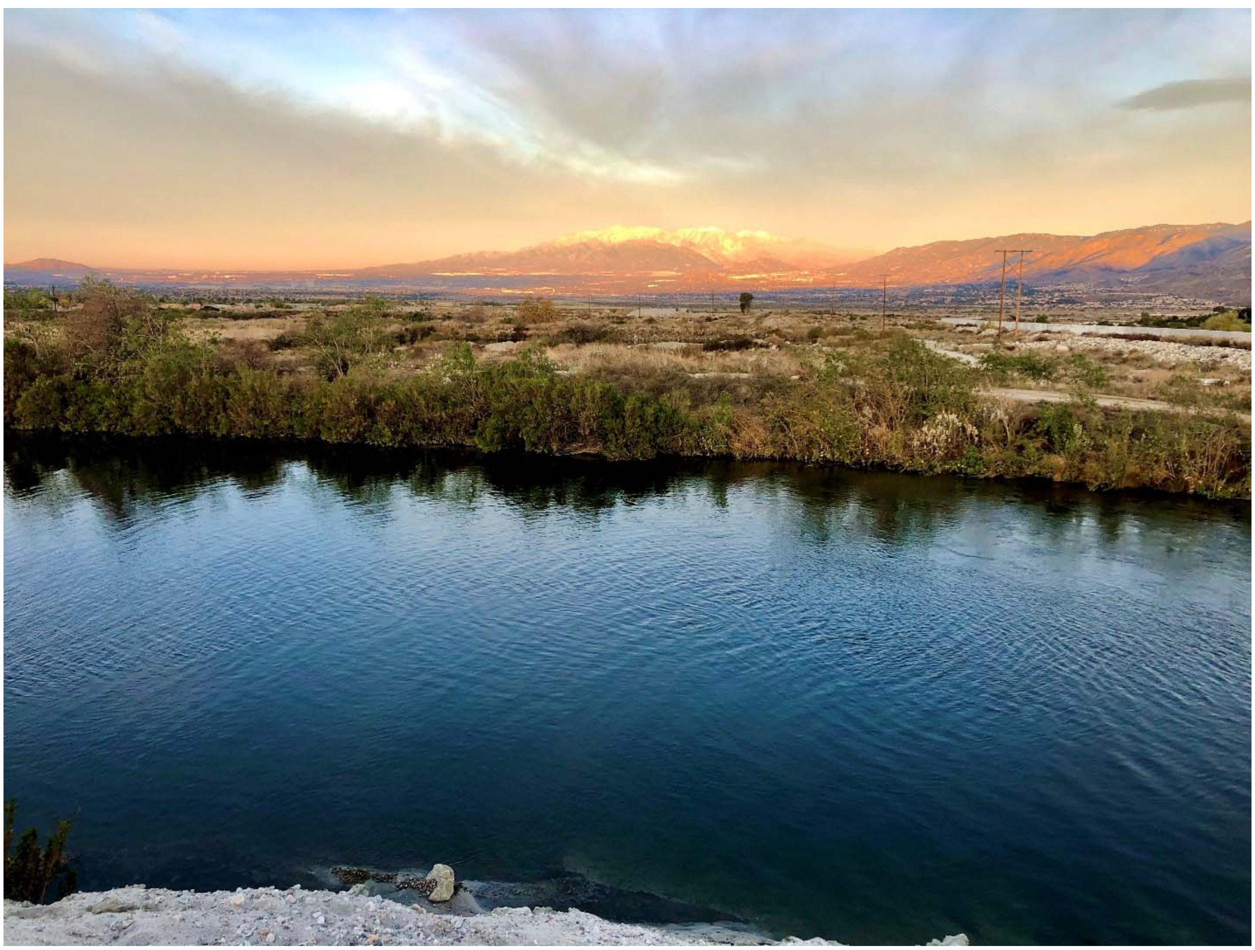
San Bernardino Valley
Water Conservation District

Helping Nature Store Our Water

ANNUAL FINANCIAL REPORT

JUNE 30, 2021



SAN BERNARDINO VALLEY WATER CONSERVATION DISTRICT

ANNUAL FINANCIAL REPORT

For the year ended June 30, 2021

TABLE OF CONTENTS

	PAGE
Introductory Section	
Letter of Transmittal	i
List of Elected and Appointed Officials	ix
Financial Section	
Independent Auditor's Report	1
Management's Discussion and Analysis	5
Basic Financial Statements	
Statements of Net Position	11
Statements of Revenues, Expenses, and Changes in Net Position	13
Statements of Cash Flows	14
Statements of Fiduciary Net Position - Fiduciary Fund	16
Statements of Changes in Fiduciary Net Position - Fiduciary Fund	17
Notes to Financial Statements	18
Required Supplementary Information	
Schedule of Proportionate Share of the Net Pension Liability and Related Ratios as of the Measurement Date	49
Schedule of Contributions – Pension Plan	50
Schedule of Changes in the Net OPEB Liability and Related Ratios	51
Schedule of Contributions – OPEB	52
Supplementary Information	
Schedules of Operating Revenues and Expenses	53
Report on Internal Controls and Compliance	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*	54

INTRODUCTORY SECTION

San Bernardino Valley
Water Conservation District
Helping Nature Store Our Water

September 29, 2021

Board of Directors
San Bernardino Valley Water Conservation District

Introduction
It is my pleasure on behalf of the staff of the District to submit the Annual Financial Report for the San Bernardino Valley Water Conservation District (District) for the fiscal year ended June 30, 2021, following guidelines set forth by the Governmental Accounting Standards Board. The District is ultimately responsible for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures in this financial report. We believe that the data presented is accurate in all material respects. This report is intended to enhance understanding of the District's financial position and activities for the Board and public.

This report has two sections: (1) Introductory, and (2) Financial. The Introductory section offers general information about the District's organization and current District activities and summarizes significant financial results. The Financial Section includes the Independent Auditor's Report, Management's Discussion and Analysis (MD&A) of the District's basic financial statements, and the District's audited basic financial statements with accompanying notes.

Generally Accepted Accounting Principles (GAAP) require that District management provide a narrative introduction, overview, and analysis to accompany the financial statements in the form of the (MD&A) section. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The District's MD&A can be found immediately after the Independent Auditor's Report.

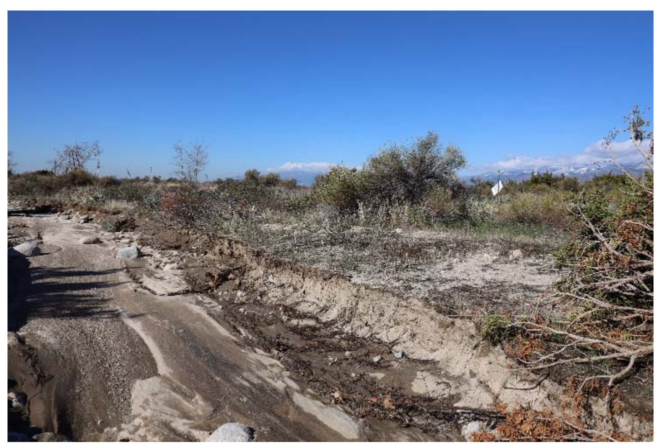
District Structure and Leadership
The San Bernardino Valley Water Conservation District is an independent special district operating under Division 21 of the California Water Code. The origin of the District began in 1909 when the Water Conservation Association was voluntarily formed to conserve water in the region. The District was formed in 1932 as the successor agency to the Water Conservation Association by a vote of the people. A five-member publicly elected Board of Directors representing the District's service area provides governance. The District in the past had 7 Divisions but reduced the number to five and transitioned to a five-member Board in December 2013. This reduction assists the Board in continuing to limit expenses and improve the focus and efficiency of the District. The General Manager manages all day-to-day operations of the District following powers established in Resolution 587 and the policies, procedures, strategies, goals, values, and priorities established by the Board of Directors. In addition to the general manager, the District employs nine full-time employees, three in the field and six in the office. The District often has part-time employees and interns that assist the District with specific tasks and efforts.

The District's Board of Directors generally meets once each month. Meetings are publicly noticed. While the meetings were primarily remote and held by Zoom in 2020, the public usually attended Board meetings and District workshops.

In 2013, the Board first approved a Community Strategic Plan developed with input from water, mining, and other partners from the communities the District serves. This strategic plan focused on the District's services, efforts, and direction to support the needs of the District's communities, ratepayers, and partners. The District has also developed Board policy principles to translate the norms, values, and Board desires to staff and the public The strategic plan was reviewed, and the Board updated the Community Strategic Plan including realigning several goals and objectives in 2017, culminating in the public review and approval by the Board in December 2017. Also, the District Priorities are updated each January.

District Services
The San Bernardino Valley Water Conservation District recharges the groundwater basin protecting and augmenting the safe yield of the San Bernardino Bunker Hill Basin. The District's recharge services benefit the cities, water districts, and groundwater producers within the District's boundaries and beyond.

The District maintains 71 water percolation basins in the Mill Creek and Santa Ana River spreading grounds to accomplish the recharge. The District also plans for, maintains, or leases over 3,600 acres in the Santa Ana River Wash at and below the Santa Ana River and Mill Creek confluence. 2020 was a below-average precipitation year both locally and throughout California. As of September 30, 2019, the District had recharged 30,894 acre feet or approximately 10 billion gallons, enough water for 217,000 people for the year. Imported water funded by the Groundwater Council and flows from the Santa Ana River and Mill Creek made this possible. In addition, the limited winter rains provided the first flows into the Plunge Creek Conservation Project provided over 100 acre feet of recharge and began to make improvements to the habitat in the area, as the project intended and shown below.



Significant Initiatives
The District has several ongoing initiatives that are organizationally and financially significant:

<u>Santa Ana River Wash Plan</u>
The Wash Plan is a long-term environmental and infrastructure planning effort led by the District and a local Task Force for many years. The District worked with the United States Fish and Wildlife Service (Service) to complete the Wash Plan Habitat Conservation Plan. This approval

in July 2020 results in a final effective HCP, Incidental Take Permit, and initiates the implementation of the Wash Plan Preserve Area. The 30-year permit significantly improves the habitat for several endangered species, including the San Bernardino kangaroo rat and the Santa Ana River woolly star plant. The approved HCP allows expanded water conservation facilities, mining, transportation, and trails. 2020 and 2021 efforts included initial year implementation and development of permit applications for the State ESA permits and the State and Federal Waters permits for most of the Wash Plan HCP covered activities to implement their projects as quickly as possible. Permit applications and initial meetings with the regulators were accomplished and will be completed in Fiscal 2021.

Partnership for Active Recharge Transfer Projects

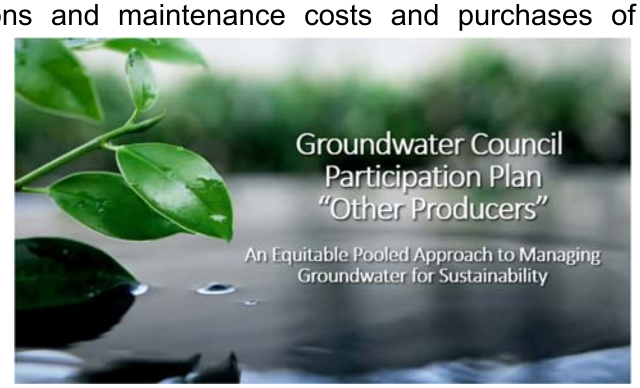
In 2018, the District approved a partnership agreement to provide conservation easements to San Bernardino Valley Municipal Water District on behalf of the River Habitat Conservation Plan. This Agreement allows the River HCP to use up to 295 acres for habitat mitigation. The Agreement obligates revenue from the conservation easements to the development of new recharge facilities and related uses. This recent activity is one of the most significant in the history of the District and fulfills the Board's highest strategic plan goal. SBVMWD funded half of the acreage to date, and conceptual and initial engineering and program management efforts are underway to develop additional recharge facilities on District and Flood Control lands. The District executed an MOU with Flood Control to develop and assess these facilities. The ARTP Policy Committee meets quarterly to oversee policy issues related to the Agreement and receive progress contracting and design updates.

Conservation Trust

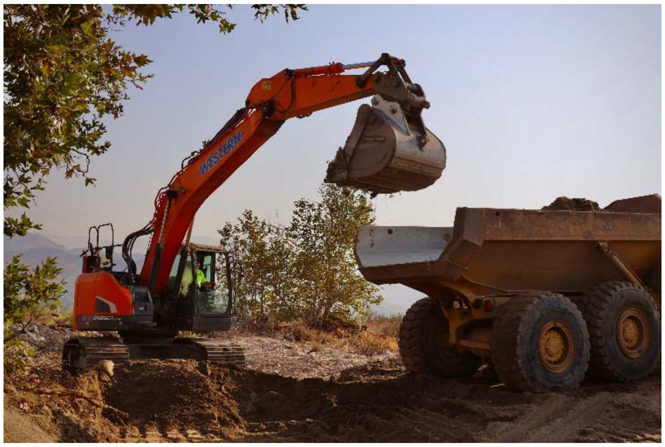
The District established the San Bernardino Valley Conservation Trust as a public benefit non-profit corporation. This Land Trust invests and manages the Wash Plan Endowment funds and will hold District, River HCP, and other conservation easements and provide oversight on the implementation of the Wash Plan. The Trust also supports the District's Community Mitigation Program. The Trust assists SB County Transportation Authority and other public projects and community development efforts in the Wash Plan area.

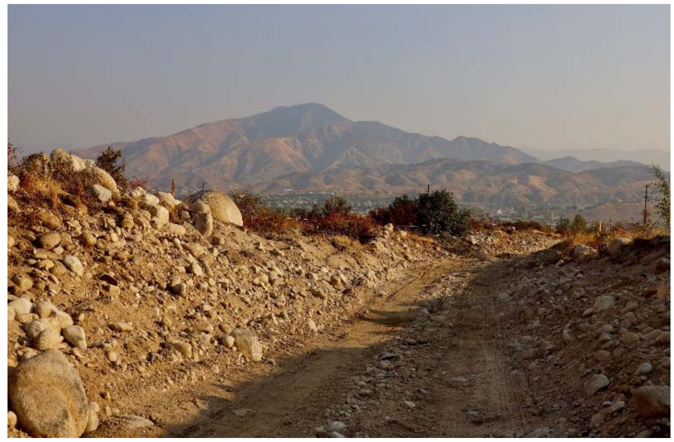
Bunker Hill Basin Groundwater Council

The District in 2015 collaborated with the San Bernardino Valley Municipal Water District to establish this collaborative council. The Board supported the initial agreement development and continues to support the council's engineering and budget committees. The Groundwater Council's first year of operation was in 2018 and has continued each year after that. The Groundwater Council contributes to operations and maintenance costs and purchases of imported water for recharge in the Bunker Hill Basin. The Groundwater Council reduces Groundwater Charge revenue, which is replaced by Groundwater Council revenue. This combination ensures that the groundwater enterprise costs are covered more equitably for all groundwater users. Significantly in 2021, the District added a sustainability and replenishment component to the Groundwater Charge for producers within the District Boundary for use in San Bernardino County.



Plunge Creek Water and Habitat Conservation
The Proposition 84 Integrated Regional Water Management Planning-funded effort in Plunge Creek completed construction in September 2020. The District receives reimbursement funding of up to $500,000 in grant funds as the project progresses. This significant project was a cooperative project with the U.S. Fish and Wildlife Service that has or will ultimately develop

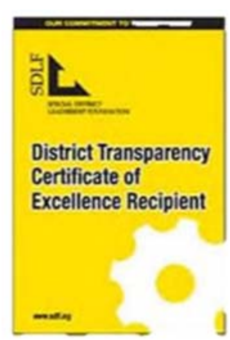




over 200 acres of new, high-quality San Bernardino kangaroo rat and woolly star habitat and create an additional 1,600 AF of groundwater recharge per year on District-owned lands. The project construction was completed, and full reimbursement was received in 2021.

Mill Creek Diversion Debris Management Design
Longstanding concerns with managing high storm flows and debris in Mill Creek exacerbated by climate change have prompted the Mill Creek Diversion project. The project will reconstruct parts of the facility to bypass large debris and minimize facility repairs in severe storms to maintain the designed recharge capacity. Additionally, the facility will reduce future operations and maintenance costs and improve diversion flexibility. This capital project has a complete design and CEQA compliance but requires a USACOE section 408 permit, often taking several years. The District engaged in an expedited 408 process, and the project construction is expected in 2022, dependent on permitting.

Pension and Post-Employment Benefits
Early in the 2015-2016 fiscal year, the Board approved the payoff of the Unfunded Accrued Actuarial Liability (UAAL) to CalPERS. In the 2017 and later budgets, the Board approved paying any UAAL identified by CalPERS each year. These amounts are projected and budgeted as a benefit expense. The Board continues to review CalPERS costs as their actuarial assumptions and returns change to fund this benefit liability fully. Additionally, the Board in 2016 converted the OPEB reserve to initiate a CalPERS Employer Trust. The Trust irrevocably holds funds to pay for the limited cost of health care until Medicare. In 2018 and 2019, additional funding has been added to the OPEB Trust based on GASB 75 compliant actuarial analysis for full UAAL payment. In 2019, the District funded explicit cost and implicit subsidy contained in unitary Medical Insurance premiums from the Association of California Water Agency's Joint Powers Insurance Authority. The actuarial consultants calculate OPEB costs each year using age, the most likely investment returns, and other assumptions to identify the most likely cost of benefits. The Trust has had significant investment yields in 2021 and now contains over $600,000 to pay for these benefits' future costs with limited future contributions.



Continued Policy Development

Most policies and practices have been reviewed and update in the past five years. Work continues to improve District principles, policies, practices, and procedures. The District maintains its Transparency Certificate of Excellence from the Special District Leadership Foundation (SDLF), affiliated with the California Special District Association. These documents are also published on the District website, making them readily available to the public.

In 2014, SDLF first recognized SBVWCD with the District of Distinction accreditation. SDLF reaccredited the District in 2017. SDLF will again review the accreditation in 2021. The SDLF committee of volunteers (consisting of district controllers, finance directors, and certified general managers) check the independent audits and the District's operations to ensure that prudent fiscal practices are followed and that the District's Board of Directors and executive staff have appropriate educational training in public governance and compliance with ethics and harassment prevention training. The Board of Directors and staff have maintained training and compliance to continue the accreditation. Both the Board and staff are proud of these recognitions. They demonstrate the District's commitment to do the public's business transparently and act as a professional special district measured by the highest standards of best practices and benchmarks.

2020 Economic Condition

The District sits at a strategic point in the watershed's east end of the San Bernardino Valley. The Valley experienced significant economic growth with the rest of the Inland Empire into the mid-2000s and a considerable downturn through 2014. The downturn in building and the broader economy greatly impacted the District's revenues. In 2015, the District successfully moved to a market-based royalty for mining revenues, which will reduce volatility in income with minimum guarantees. Housing starts and the population in the area has increased as the economy improved in 2016-2019. In 2020 several economic and policy changes increased home demand and new building, road, and other capital projects. These increased the assessed valuation and limited tax revenue. Additionally, demand for aggregated and concrete resulted in mining above guaranteed minimum levels resulting in improved income to the District. These factors and the general increase in economic activity in the region increased the limited tax income to the District.

Staff and District Impacts of COVID 19 Pandemic

Beginning in spring 2020, significant changes to the operations of all public agencies and businesses began in California. In February 2020, an Extreme Flu Plan was developed as COVID19 was impacting areas across the globe and implemented its three-phase approach as the virus became active in the area. The staff has continued all essential activities and primarily works from home where possible. As vaccination became available to public essential workers, most staff were vaccinated, and the District began to bring staff into the office in phases and separate days. Construction and field operations are conducted with protective equipment and precautions to avoid or minimize exposure and maximize employee safety. Impacts on revenue have mostly been limited to the Redlands Plaza Enterprise tenants unable to pay lease payments. Higher expenses have been limited but have impacted operating enterprises and their reserves to varying extents. The Staff and Board of the District have continued to make significant progress on all critical District priorities despite significant impediments placed by COVID-related issues.

2021-2022 Economic Outlook

Overall economic activity dropped globally in early 2020. The Inland Empire taken together was the number two and three impacted continued through most of 2020 and early 2021. COVID 19 Pandemic recovery has been spotty, and impacted entities have recovered during 2021 and likely will continue to improve in 2022 if vaccination and other protections continue. The federal government has kept interest rates low and added significant funds to the economy, increasing spending and infrastructure development. While residential property prices and rental costs have continued to rise strongly, commercial real estate, especially in the retail sector, has declined. Income in some industries and governments was reduced; those based on fees, revenue, and property tax were least impacted.

Due to the implementation of the Wash Plan, long-term infrastructure projects and investments benefiting the region will occur over the next few years. These investments and overall economic improvement add to the assessed valuation for the County of San Bernardino and the cities. The Wash Plan also facilitated the development of the Community Mitigation Program in partnership with the San Bernardino Valley Conservation Trust, helping the local public and private projects mitigate impacts and comply with resource agency and CEQA requirements. This partnership may increase income from Conservation Easement Sales. Additionally, the Groundwater Council revenue has expanded as additional membership during implementation.

Internal Control Structure

District management is responsible for establishing and maintaining the internal control structure that ensures the assets of the District are protected from loss, theft, or misuse. The internal control structure also provides adequate accounting data compiled to prepare financial statements in conformity with generally accepted accounting principles. The Board approved a consolidated Procurement and Purchasing Policy in 2018 and continues to improve the clarity of District Financial Reports. The District's internal control structure is designed to provide reasonable assurance that these objectives are met with the limited staff at the District. The concept of reasonable assurance recognizes that (1) The cost of a control should not exceed the benefits likely to be derived, and (2) The valuation of costs and benefits requires estimates and judgments by management. The District also continues to document its controls and practices better and add efforts to allow the highest level of control possible with minimal staffing. The District implements all auditor recommendations.

Budgetary Control

The District's Board of Directors annually adopts an operating and capital budget before the beginning of the new fiscal year. The budget authorizes and provides the basis for reporting and controlling financial operations and accountability for the District's enterprise operations and capital projects. The budget and reporting treatment applied to the District is consistent with the accrual basis of accounting and the financial statement basis. The District also purchases equipment and issues licenses to reduce operating costs in partnership with the private sector.

Since 2011, the District has used an enterprise model for financial management and reserve accounting. The Enterprise model provides clear internal accountability and furthers public transparency into District finances. The Board reviews and revises the reserve and other policies, target reserve levels, and investment of the reserves every year.

Investment Policy
In 2019, the Board of Directors revised the existing Statement of Investment Policy with the support of PFM Financial Management. This change added some additional investment opportunities needed to manage the Active Recharge Transfer Project capital. The revised Agreement conforms to state law, District ordinances, and prudent money management. The Investment Policy assures safety, liquidity, and yield. District funds are invested in the State Treasurer's Local Agency Investment Fund, the CalTrust Joint Powers Authority, California Asset Management Program (CAMP), various certificates of deposit, and California Credit Union (CCU) Mutual Fund. The Board receives quarterly reports on all investment balances and returns.

District Revenues
State law and District policy ensure that all revenues from groundwater charges generated from District groundwater production support District operations. Groundwater charge rates are set in accordance with section 75500 of the California Water Code. Groundwater charges are levied on all groundwater-producing agricultural and non-agricultural facilities within the District boundaries. This has been the primary component of the District's revenue. The Groundwater Council has now replaced much of the income historically paid through the Groundwater Charge.

Additionally, because many entities are in the Groundwater Council, it is more stable than when collected through the Groundwater Charge. The Groundwater Charge continues to be assessed on all producers who are not members of the Groundwater Council. The District included a sustainability and replenishment component to the rate in 2021. This charge is a pass-through to the Groundwater Council for water purchase. The District has agreements with other entities for payment or reimbursement for the cost of recharge of water on their behalf. Revenue from royalties on aggregate mining, property leases, easements, and interest on reserves complete the non-rate revenues of the District. The District renewed its CEMEX mining lease in 2020. Staff is also working with the leaseholder, Robertson's Ready Mix, to begin mining on District land after Wash Plan and other permits to retire the prepaid royalty.

District Investments
The District's Board authorized changes to reserves and investments during the year. Staff implemented the Investment Policy Statement making investments and moving funds primarily as Certificated of Deposit (CD) terms expired. Funds (on loan to the Wash Plan to complete permitting were to be repaid by permittees) were absorbed by the Conservation Trust, which holds funds to repay the loan when called. CD interest rates have significantly decreased as all fixed income rates are maintained low by the Federal Reserve. Additionally, capital projects have been constructed, so funds are being deladdered in the District's portfolio. The District will continue to monitor rates and opportunities to generate funding from investments.

Audit and Financial Reporting
State laws require the District to obtain an annual audit of its financial statements by an independent certified public accountant. The accounting firm of Rogers, Anderson, Malody & Scott, LLP has conducted an audit of the District's financial statements. Their unmodified

Independent Auditor's Report is in the financial section of this report. This year will be their last audit under the Districts rotation policy, and an RFP will be released for Audit services in 2022.

Other References

More information is contained in the Management's Discussion and Analysis section, and the Notes to the Basic Financial Statements documentation is found in the financial section of the report.

Acknowledgments

The combined efforts of District staff accomplished the preparation of this report. We appreciate the dedicated efforts and professionalism shown by Rogers, Anderson, Malody & Scott, LLP, and the team. We would also like to thank the Ad Hoc Audit Committee members and the Board of Directors for their continued support in the planning and implementation of the San Bernardino Valley Water Conservation District's fiscal policies.

Respectfully submitted,

Daniel B. Cozad
General Manager

San Bernardino Valley Water Conservation District

Helping Nature Store Our Water

San Bernardino Valley Water Conservation District
Board of Directors as of June 30, 2021

Name	Division	Title	Current Term Ending
Melody Henriques-McDonald	5	President	December 12, 2022
Richard Corneille	1	Vice-President	December 9, 2024
Robert Stewart	3	Director	December 11, 2024
John Longville	4	Director	December 11, 2022
David E. Raley	2	Director	December 12, 2022

San Bernardino Valley Water Conservation District
Daniel B. Cozad, General Manager
1630 West Redlands Blvd., Suite A
Redlands, California 92373
(909) 793-2503 - www.sbvwcd.org

FINANCIAL SECTION

RAMS
ROGERS, ANDERSON, MALODY & SCOTT, LLP
CERTIFIED PUBLIC ACCOUNTANTS, SINCE 1948

735 E. Carnegie Dr. Suite 100
San Bernardino, CA 92408
909 889 0871 T
909 889 5361 F
ramscpa.net

Independent Auditor's Report

Board of Directors
San Bernardino Valley Water Conservation District
Redlands, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and the fiduciary fund of the San Bernardino Valley Water Conservation District (District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities and the fiduciary fund of the District, as of June 30, 2021, and, where applicable, the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America , as well as the accounting systems prescribed by the State Controller's Office and State Regulations governing Special Districts.

Basis for opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States the State Controller's *Minimum Audit Requirements for California Special Districts*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 1 of the financial statements, the District adopted the provisions of GASB Statement No. 84*, Fiduciary Activities*. Our opinion is not modified in respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about District's ability to continue as a going concern for a reasonable period of time.

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

Prior year Comparative Information

We have previously audited the District's 2020 financial statements, and we expressed an unmodified opinion in our report dated October 7, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedules of proportionate share of the net pension liability and related ratios; pension plan contributions; and changes in net OPEB liability and related ratios; OPEB contributions; as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedules of operating revenues and expenses, and schedules of Wash Plan additions and reductions are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules of operating revenues and expenses and schedules of Wash Plan additions and reductions are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the financial statements. The other information comprises the introductory section but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated September 29, 2021, internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Rogers, Anderson, Malody & Scott, LLP.

September 29, 2021
San Bernardino, California

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the San Bernardino Valley Water Conservation District (District) provides an introduction to the financial statements of the District for the fiscal year ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with the transmittal letter in the Introductory Section and with the basic financial statements and related notes, which follow this section.

Financial Highlights

The District's net position increased 16.7% or $1,615,054 in fiscal year 2020-21 as the result of overall operations.

The District's operating revenues for fiscal year 2020-21 were $1,683,514, which was $98,894 less than its operating expenses of $1,782,408. Depreciation expense was $83,902 and net nonoperating income was $1,797,850 resulting in a net change in net position of $1,615,054.

Required Financial Statements

This annual report consists of a series of financial statements. The statement of net position, statement of revenues, expenses, and changes in net position and statement of cash flows provide information about the activities and performance of the District using accounting methods similar to those used by private sector companies.

The statement of net position includes all of the District's investments in resources (assets and deferred outflows) and the obligations to creditors (liabilities and deferred inflows). It also provides the basis for computing a rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. All of the current year's revenue and expenses are accounted for in the statement of revenues, expenses, and changes in net position. This statement measures the success of the District's operations over the past year and can be used to determine if the District has successfully recovered all of its costs through its rates and other charges. This statement can also be used to evaluate profitability and credit worthiness.

The statement of cash flows provides information about the District's cash receipts and cash payments during the reporting period. The statement of cash flows reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, noncapital financing, and capital and related financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

In addition, the financial statements include a statement of fiduciary net position - agency fund, which reports the assets and liabilities of the Wash Plan. The annual report also includes required supplementary information and other supplementary information.

Financial Analysis of the District

The analysis in this section is focused on the primary activities of the District and does not include agency fund balances and activities, such as the Wash Plan.

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of this year's activities?" The statement of net position and the statement of revenues, expenses and changes in net position report information about the District in a way that helps answer this question.

These two statements report the District's *net position* and changes in it. One can think of the District's net position - the difference between assets and deferred outflows less liabilities and deferred inflows - as one way to measure the District's financial health, or *financial position.* Over time, *increases or decreases* in the District's net position is one indicator of whether its *financial health* is improving or deteriorating. However, one will need to consider other nonfinancial factors such as changes in economic conditions, population growth, zoning and new or changed government legislation and regulation. Changes in state waterboard rules for wetlands and dredge and fill materials could impact District costs.

These statements include all assets and liabilities using the *accrual basis of accounting,* which is similar to the accounting method used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on the pages as listed in the table of contents.

Condensed Statements of Net Position (in thousands)

				Change 2021		Change 2020	
	2021	2020	2019	Amount	%	Amount	%
Assets:							
Current	$ 27,789	$ 27,273	$ 26,174	$ 516	1.9%	$ 1,099	4.2%
Non-current	170	17	1	153	900.0%	16	1600.0%
Capital, net	7,191	6,235	5,389	956	15.3%	846	15.7%
Total assets	35,150	33,525	31,564	1,625	4.8%	1,961	6.2%
Deferred outflow of resources							
Pension	683	281	397	402	143.1%	(116)	-29.2%
OPEB	180	200	-	(20)	-10.0%	200	0.0%
Total deferred outflow of resources	863	481	397	382	79.4%	84	21.2%
Total assets and deferred outflow	36,013	34,006	31,961	2,007	5.9%	2,045	6.4%
Liabilities:							
Current	248	244	163	4	1.6%	81	49.7%
Other non-current	24,169	23,881	23,892	288	1.2%	(11)	0.0%
Total liabilities	24,417	24,125	24,055	292	1.2%	70	0.3%
Deferred inflow of resources							
Pension	88	98	159	(10)	-10.2%	(61)	-38.4%
OPEB	245	133	-	112	84.2%	133	0.0%
Total deferred inflow of resources	333	231	159	102	44.2%	72	45.3%
Total liabilities and deferred outflow	24,750	24,356	24,214	394	1.6%	142	0.6%
Net position (restated):							
Net investment in capital assets	7,191	6,235	5,381	956	15.3%	854	15.9%
Unrestricted	4,072	3,413	2,366	659	19.3%	1,047	44.3%
Total net position	$ 11,263	$ 9,648	$ 7,747	$ 1,615	16.7%	$ 1,901	24.5%

Amounts may not foot due to rounding

The total net position of the District may serve over time as a useful indicator of a government's financial position. In the case of the District, assets plus deferred outflows of the District exceeded liabilities plus deferred inflows by $11,263,505 and $9,648,451 as of June 30, 2021, and 2020, respectively.

Capital assets represent 63.9% as of June 30, 2021, and 64.6% as of June 30, 2020, of the total net position. Capital assets such as basins and appurtenances are used to provide services to groundwater producers within the District's service area; consequently, these assets are not available for future spending.

At the end of fiscal years 2020-21 and 2019-20, the District showed a positive balance in its unrestricted net position of $4,072,446 and $3,413,342, respectively. The District's investment of cash reserve funds represents the largest portion of the District's net position which may be utilized in future years for capital projects or operations costs in accordance with the District's reserve policy.

Condensed Statements of Revenues, Expenses and Changes in Net Position (in thousands)

				Change 2021		Change 2020	
	2021	2020	2019	Amount	%	Amount	%
Revenues:							
Operating	$ 1,684	$ 1,765	$ 1,444	$ (81)	-4.6%	$ 321	22.2%
Nonoperating	1,922	1,784	1,277	138	7.7%	507	39.7%
Total revenues	3,606	3,549	2,721	57	1.6%	828	30.4%
Expenses							
Operating	1,782	2,137	1,696	(355)	-16.6%	441	26.0%
Depreciation	84	37	37	47	127.0%	-	0.0%
Nonoperating	124	147	129	(23)	-15.6%	18	14.0%
Total expenses	1,990	2,321	1,862	(331)	-14.3%	459	24.7%
Change in net position	$ 1,616	$ 1,228	$ 859	$ 388	31.6%	$ 369	43.0%

Amounts may not foot due to rounding

The statement of revenues, expenses, and changes in net position shows how the District's net position changed during the fiscal years. In the case of the District, net position increased by $1,615,054 and $1,227,742 in fiscal years ended June 30, 2021, and 2020, respectively.

A closer examination of the sources of changes in net assets reveals that:

- The District's net position increased 16.7% or $1,615,054 to $11,263,505 in fiscal year 2020-21 as the result of operations. In 2020, the District's net position increased 14.6% or $1,227,742 as a result of operations.

- The District's operating revenues decreased by 4.6% or $81,004 in 2021 primarily due to decreased revenue from groundwater charge assessments. This was offset by the increased operating revenues of 22.2% or $320,044 due to increased groundwater charge assessments in 2020.

- The District's nonoperating revenues increased by 7.71% or $137,603 in 2021 primarily due to a $405,346 decrease in investment earnings and a $149,240 increase in royalties income from existing contracts and an increase in other nonoperating revenues of $385,925 related to the Plunge Creek Water Recharge and Habitat Improvement project. The District's nonoperating revenues increased 39.7% or $507,374 in 2020 primarily due to a $220,330 increase in investment earnings and a $235,582 increase in royalties income from existing contracts.

- The District's operating expenses decreased 16.6% or $354,690 in 2021 primarily due to a decrease of $367,070 in District operations related to the decrease in repairs and maintenance. The District's operating expenses increased 26.0% or $441,085 in 2020 primarily due to an increase of $31,987 in professional services, an increase in field operations of $153,327, an increase of $201,659 in salaries and wages and benefits ($89,810 increase in pension expense) and an increase in repairs of $49,500. The increases were offset by a decrease of $5,762 in Director's fees and expenses.

- The District's nonoperating expenses decreased 15.4% or $22,688. The decrease is primarily due to lower administrative costs of $16,423 and several other smaller decreases in various expenses. In 2020, the District's nonoperating expenses increased 14.4% or $18,459. The increase is primarily due to an increase in administrative costs of $8,619 and several other smaller increases in various expenses.

Capital Asset Administration

At the end of fiscal years 2020-21 and 2019-20, the District's net investment in capital assets amounted to $7,191,059 and $6,235,109, respectively. This investment in capital assets includes land, diversion facilities, recharge basins, buildings, equipment, and vehicles. Major capital asset additions during the year included construction of Plunge Creek Recharge improvements, buildings improvements and purchase of office equipment. At June 30, 2021 total nondepreciable assets include land of $4,162,862 and $820,185 of construction in progress. Major capital asset additions in 2020 included a dump truck purchase for $72,459 and the reroofing of Redlands Plaza for $79,950.

Changes in capital assets in 2021 were as follows:

	Balance 2020	Additions	Deletions	Balance 2021
Capital assets:				
Nondepreciable	$ 5,139,488	$ 975,278	$ (1,131,719)	$ 4,983,047
Depreciable	2,551,922	1,248,007	(64,955)	3,734,974
Accumulated depreciation	(1,456,301)	(118,212)	47,551	(1,526,962)
Totals	$ 6,235,109	$ 2,105,073	$ (1,149,123)	$ 7,191,059

Changes in capital assets in 2020 were as follows:

	Balance 2019	Additions	Deletions	Balance 2020
Capital assets:				
Nondepreciable	$ 5,071,236	$ 98,182	$ (29,930)	$ 5,139,488
Depreciable	2,364,526	187,396	-	2,551,922
Accumulated depreciation	(1,381,722)	(74,579)	-	(1,456,301)
Totals	$ 6,054,040	$ 210,999	$ (29,930)	$ 6,235,109

District Cash Reserves

The District builds, maintains and uses reserves to prepare for expected and unexpected costs. In accordance with the District's reserve policy, funds are accumulated and allocated based on enterprise performance and policy targets set by the Board based on benchmarks, best practices and risk. Reserves, from time to time, may greatly exceed the minimums or targets set by the Board for many reasons. Likewise, some reserves fall below the target level, because they are intended to be funded over many years and have not yet been fully funded. The Board annually reviews the reserve policy and revises targets or reallocates funds to reserves. Additionally, it should be noted that the Prepaid Royalties Liability is unearned revenue related to a deposit of funds in anticipation of aggregate mining under the Wash Plan. The Active Recharge Transfer Projects are also unearned revenue related to the anticipated mitigation requirements for the Upper Santa Ana River Habitat Conservation Plan. Beginning in 2015, the Board began adjusting several reserve levels in anticipation of Capital Projects. In aggregate, reserve levels are at 53% of target levels and decreased 43% from 2017/2018 levels. Reserves that are currently above their target levels include groundwater recharge enterprise reserve, groundwater ER maintenance reserve, and Capital Improvement/Equipment reserve, which contain deferred capital project costs anticipated for future fiscal years. The Land Resources Reserve has a negative balance to land purchases. This reserve will be refunded through conservation easement or other land sales.

Reserve	Target	Balance	% Funded
Groundwater Recharge Enterprise Reserve	$ 1,250,000	$ 2,747,143	220%
Groundwater ER Maintenance Reserve	250,000	350,000	140%
GWA Rate Stabilization	200,000	177,777	89%
Redlands Plaza Reserve	81,418	21,763	27%
Land Resources Reserve	816,743	(2,917,573)	-357%
General Liability Fund Reserve	1,250,000	573,063	46%
Self Insurance Reserve	50,000	40,000	80%
Compensated Absences Reserve	175,000	107,000	61%
Capital Improvement/Equipment Reserve	750,000	760,000	101%
Prepaid Royalties Reserve	5,000,000	5,000,000	100%
Active Recharge Transfer Projects	36,875,000	18,377,487	50%
Total	$ 46,698,161	$ 25,236,660	54%

Conditions Affecting Current Financial Position

Management is unaware of any conditions which could have a significant impact on the District's current financial position, assets or operating results based on past, present and future events.

Requests for Information

This financial report is designed to provide the District's funding sources, customers, stakeholders and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please review the District website at www.sbvwcd.org or contact the District's General Manager at 1630 West Redlands Blvd., Suite A, Redlands, CA 92373.

BASIC FINANCIAL STATEMENTS

San Bernardino Valley Water Conservation District
Statements of Net Position
June 30, 2021 (with comparative data for 2020)

	2021	2020
Assets		
Current assets:		
Cash and cash equivalents	$ 2,762,299	$ 1,307,952
Investments	22,474,361	23,850,532
Accrued interest receivable	3,784	14,027
Accounts receivable, net	377,302	336,048
Assessments receivable - groundwater charges	188,127	280,119
Notes receivable	1,086	1,086
Due from other governments	1,941,550	1,381,882
Prepaid expenses	40,344	101,129
Total current assets	27,788,853	27,272,775
Noncurrent assets:		
Notes receivable	6,897	7,827
Net other post-employment benefits asset	163,558	9,242
Capital assets, not being depreciated:		
Land and land improvements	4,162,862	4,120,341
Construction in progress	820,185	1,019,147
Capital assets, being depreciated, net:		
Buildings and improvements	682,425	712,735
Vehicles and Equipment	1,333,274	152,533
Spreading basins	192,313	230,353
Total noncurrent assets	7,361,514	6,252,178
Total assets	35,150,367	33,524,953
Deferred outflows of resources		
Deferred outflows of resources - pension	682,857	280,516
Deferred outflows of resources - OPEB	180,491	200,079
Total deferred outflows of resources	863,348	480,595
Total assets and deferred outflows of resources	36,013,715	34,005,548

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

	2021	2020
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	$ 170,652	$ 167,323
Accrued wages and related payables	17,525	18,310
Customer deposits for rentals	10,209	11,947
Compensated absences payable	49,400	46,778
Total current liabilities	247,786	244,358
Noncurrent liabilities:		
Unearned revenue	23,589,915	23,436,714
Net pension liability	421,265	324,184
Compensated absences payable	158,277	120,227
Total noncurrent liabilities	24,169,457	23,881,125
Total liabilities	24,417,243	24,125,483
Deferred inflows of resources		
Deferred inflows of resources - pension	88,266	98,468
Deferred inflows of resources - OPEB	244,701	133,146
Total deferred inflows of resources	332,967	231,614
Net position		
Net investment in capital assets	7,191,059	6,235,109
Unrestricted	4,072,446	3,413,342
Total net position	$ 11,263,505	$ 9,648,451

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

San Bernardino Valley Water Conservation District
Statements of Revenues, Expenses, and Changes in Net Position
For the year ended June 30, 2021 (with comparative data for 2020)

	2021	2020
Operating revenues		
Groundwater assessments	$ 1,238,311	$ 1,288,681
Operating agreements	415,203	407,062
Services to other agencies	30,000	68,775
Total operating revenues	1,683,514	1,764,518
Operating expenses		
District operations	1,560,514	1,927,584
Regional programs	4,282	3,952
General and administrative	217,612	205,562
Total operating expenses	1,782,408	2,137,098
Operating loss before depreciation expense	(98,894)	(372,580)
Depreciation expense	83,902	37,237
Operating income (loss)	(182,796)	(409,817)
Nonoperating revenues and (expenses)		
Property taxes	169,760	179,755
Investment earnings	42,594	447,940
Royalties	1,020,021	870,781
Rental property income	222,988	205,209
Rental property expense	(124,294)	(146,982)
Other nonoperating revenues and expenses	466,781	80,856
Total nonoperating revenues/(expenses)	1,797,850	1,637,559
Change in net position	1,615,054	1,227,742
Net position, beginning of year, as restated	9,648,451	8,420,709
Net position, end of year	$ 11,263,505	$ 9,648,451

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

San Bernardino Valley Water Conservation District
Statements of Cash Flows
For the year ended June 30, 2021 (with comparative data for 2020)

	2021	2020
Cash flows from operating activities		
Cash received from groundwater assessments and other agencies	$ 1,928,707	$ 1,703,311
Cash payments for services and supplies	(510,710)	(735,351)
Cash payments to employees for salaries and wages	(1,506,332)	(1,325,785)
Proceeds from royalty income	978,767	682,800
Proceeds from rental revenue, net of expenses	131,266	98,190
Other operating	448,531	80,856
Net cash provided by (used) for operating activities	1,470,229	504,021
Cash flows from noncapital financing activities		
Property taxes	169,760	179,755
Advances to Wash Plan	(559,668)	(531,494)
Net cash provided by (used) for noncapital financing activities	(389,908)	(351,739)
Cash flows from capital and related financing activities		
Acquisition and construction of capital assets	(1,085,566)	(285,578)
Proceeds from disposal of capital assets	29,654	-
Net cash provided by (used) for capital and related financing activities	(1,055,912)	(285,578)
Cash flows from investing activities		
Payments received on notes receivable	930	1,764
Purchase of investments	(80,904)	(19,035,191)
Proceeds from investments	1,457,075	457,566
Investment income	52,837	452,964
Net cash provided by (used) for investing activities	1,429,938	(18,122,897)
Net increase (decrease) in cash and cash equivalents	1,454,347	(18,256,193)
Cash and cash equivalents, beginning of year	1,307,952	19,564,145
Cash and cash equivalents, end of year	$ 2,762,299	$ 1,307,952

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

	2021	2020
Reconciliation of operating income (loss) to net cash provided by (used) for operating activities		
Operating income (loss)	$ (182,796)	$ (409,817)
Adjustments to reconcile operating income (loss) to net cash provided by (used) for operating activities:		
Depreciation	83,902	37,237
Abandoned construction in progress	-	29,930
Royalty income	978,767	682,800
Rental revenue, net of expenses	131,266	98,190
Miscellaneous income	448,531	80,856
(Increase) decrease in assets and deferred outflows of resources:		
Assessments receivable - groundwater charges	91,992	(58,896)
Prepaid expenses	60,785	(3,837)
Net other post-employment benefits asset	(154,316)	(127,148)
Deferred outflows of resources - pension	(402,341)	(105,309)
Deferred outflows of resources - OPEB	19,588	21,942
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	3,329	77,305
Accrued wages and related payables	(785)	(18,176)
Deferred revenues	153,201	(2,311)
Compensated absences payable	40,672	43,196
Net pension liability	97,081	85,450
Deferred inflows of resources - pension	(10,202)	98,468
Deferred inflows of resources - OPEB	111,555	(25,859)
Net cash provided by operating activities	$ 1,470,229	$ 504,021
Noncash, investing, capital and financing activities		
Change in fair value of investments	$ (36,176)	$ 22,177

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

San Bernardino Valley Water Conservation District
Statements of Fiduciary Net Position - Fiduciary Fund
June 30, 2021 (with comparative data for 2020)

	2021	2020
Assets	$ -	$ -
Liabilities		
Advances from District for Wash Plan	1,941,550	1,381,882
Total liabilities	1,941,550	1,381,882
Net position (deficit)	$ (1,941,550)	$ (1,381,882)

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

San Bernardino Valley Water Conservation District
Statements of Changes in Fiduciary Net Position - Fiduciary Fund
For the year ended June 30, 2021 (with comparative data for 2020)

	2021	2020
Additions	$ 139,374	$ -
Deductions		
Professional services	438,211	209,310
Legal expenses	83,097	66,086
Allocated District expenses:		
Salaries and benefits	177,734	256,098
Total Deductions	699,042	531,494
Net position (deficit), beginning of year, as restated	(1,381,882)	(850,388)
Net position (deficit), end of year	$ (1,941,550)	$ (1,381,882)

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The San Bernardino Valley Water Conservation District (District) was formed in 1932 under the statutory authority of the California Water Code. Its function is to conduct water spreading operations by capturing water flows of the Santa Ana River and Mill Creek. Spreading enables the water to percolate into the groundwater basin for the benefit of all producers.

The District is comprised of approximately 50,000 acres of land. Within its boundaries are several municipal water purveyors, public utilities and other (mutual and private) companies who supply water needs. The source of such water is the groundwater basin underlying the District, of which an average of 150,000 acre feet per year are extracted through more than 200 producing wells by more than 50 different producers.

The District is governed by a five-member Board of Directors elected by the citizens residing within the District's service boundaries.

The District also has 2 members on the San Bernardino Valley Conservation Trust (the Trust) board of directors. The Trust is a nonprofit 501(c)(3) charitable trust. The Trust does not meet the definition of a component unit, so none of the Trust's financial information is presented in these financial statements.

B. Basis of Accounting

The accounting records of the District are maintained on the accrual basis of accounting. Under this method, revenues are recognized in the period earned, and expenses are recognized in the period incurred. The District reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the District is that the costs of providing water to its service area on a continuing basis be financed or recovered primarily through groundwater assessments, capital grants and similar funding.

Operating revenues and expenses result from exchange transactions associated with the principal activity of the District. Exchange transactions are those in which each party receives and gives up essentially equal values. Management, administration and depreciation expenses are also considered operating expenses. Other revenues and expenses are reported as nonoperating revenues and expenses.

The District also maintains a fiduciary fund for reporting the Wash Plan assets and liabilities. A Task Force was established under the leadership of the District to coordinate land uses within the wash area. The members include the District, the County of San Bernardino, the Cities of Highland and Redlands, the San Bernardino Valley Municipal Water District, East Valley Water District and two aggregate miners. The Wash Plan is accounted for as an agency fund.

Both the enterprise fund and the fiduciary fund report using an economic resources measurement focus.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Accounting Pronouncements

The financial statements of the District are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) issued by the Governmental Accounting Standards Board (GASB) applicable to governmental entities that use proprietary fund accounting.

D. Net Position

The District follows the financial reporting requirements of the GASB and reports net position under the following classifications:

(1) ***Net Investment in Capital Assets*** - Net investment in capital assets consists of capital assets, net of accumulated depreciation and amortization, and reduced by outstanding balances of any debt, or other long-term borrowings that are attributable to the acquisition, construction, or improvement of those assets.

(2) ***Restricted*** - Restricted consists of assets that have restrictions placed on their use by external constraints imposed either by creditors (debt covenants), grantors, contributors or laws and regulations of other governments or constraints imposed by law through enabling legislation.

(3) ***Unrestricted*** - Unrestricted consists of any remaining balance of the District's net position that do not meet the definition of restricted or net investment in capital assets.

The District's policy is to first apply disbursements to restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

E. Use of Estimates

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions affecting the reported amounts of assets, liabilities, revenues and expenses, and disclose material contingent liabilities existing at the date of the financial statements. Actual results could differ from those estimates.

F. Cash and Cash Equivalents

Substantially all of the District's cash is invested in interest-bearing accounts. The District considers all cash and cash deposits, investment in the State Treasurer's Local Agency Investment Fund and other investments with initial maturities of less than 90 days at the date of purchase to be cash and cash equivalents in the presentation of the District's financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Investments

Investments are stated at fair value based on quoted market prices. Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value and any gains or losses realized upon the liquidation or sale of investments.

H. Property Taxes and Assessments

Secured property taxes are levied against real property and are due and payable in two equal installments. The first installment is due on November 1 and becomes delinquent if not paid by December 10. The second installment is due on February 1 and becomes delinquent if not paid by April 10. Unsecured personal property taxes are due on July 1 each year. These taxes become delinquent if not paid by August 31.

The District assesses its property taxes through the County tax rolls. Property taxes are recognized as revenue in the period for which they are levied.

I. Compensated Absences

District employees earn vacation and sick leave in varying amounts based on length of service. The District records the cost of vested vacation and sick leave as it is earned. Vacation pay is payable to employees at the time vacation is taken or upon termination of employment. Employees may receive payment for unused sick leave upon termination according to a predetermined vesting schedule.

J. Concentrations

The District has two primary sources of revenue. One is the groundwater charge levied to entities that extract water from the groundwater basin underlying the District. The amount of rainfall in the area as well as additional allocations of state project water to the neighboring water districts can have a significant effect on the amount of water extracted. The second major source of revenue is from mining activities in District property. The level of building activity in the region may have significant impact on royalties from mining activities.

K. Receivables

The allowance for doubtful accounts is $-0- because management believes all receivables are collectible.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. Capital Assets

Capital assets acquired and/or constructed are capitalized at historical cost. District policy has set the capitalization threshold for reporting capital assets at $1,000 and an estimated useful life of five years. Donated assets are measured at acquisition value at the date of acquisition. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances and any gains or losses are recognized. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings	40-50 years
Vehicles and equipment	5-10 years
Office equipment	5-10 years
Field equipment	5-10 years
Recharge basins and facilities	30-50+ years
Improvements	
Structural	40 years
Furnishings	10 years

M. Budgetary Policies

The District adopts an annual nonappropriated budget for planning, control and evaluation purposes. Budgetary control and evaluation are affected by comparisons of actual revenues and expenses with planned revenues and expenses for the period. Encumbrance accounting is not used to account for commitments related to unperformed contracts for construction and services.

N. Net Pension Liability

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

GASB 68 requires 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 (VD)	June 30, 2019
Measurement Date (MD)	June 30, 2020
Measurement Period (MP)	July 1, 2019 to June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

O. Other Postemployment Benefits (OPEB)

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 District'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 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 (VD)	June 30, 2021
Measurement Date (MD)	June 30, 2021
Measurement Period (MP)	July 1, 2020 to June 30, 2021

P. Implementation of New Pronouncement

GASB has issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

2. CASH AND INVESTMENTS

Cash and investments as of June 30, 2021 and 2020 are classified in the statements of net position as follows:

	2021	2020
Current assets:		
Cash and cash equivalents	$ 2,762,299	$ 1,307,952
Investments	22,474,361	23,850,532
Total cash and investments	$ 25,236,660	$ 25,158,484

2. CASH AND INVESTMENTS (continued)

Cash and investments as of June 30, 2021 and 2020 consisted of the following:

	2021	2020
Deposits with financial institutions	$ 2,331,640	$ 1,179,136
Deposits held with California Local Agency Investment Fund	430,658	128,816
Certificates of deposit	498,024	1,919,592
Deposits held with fiscal agents:		
California Asset Management Program	18,753,929	18,717,876
CalTrust Short-term fund	3,222,409	3,213,064
Total cash and investments	$ 25,236,660	$ 25,158,484

As of June 30, 2021 and 2020, the District's authorized deposits had the following average maturities:

	2021	2020
Deposits held with California Local Agency Investment Fund	291 days	191 days
Certificates of deposit	205 days	312 days
Deposits held with fiscal agents:		
California Asset Management Program	66 days	53 days
CalTrust Short-term fund	318 Days	321 days

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

Under provisions of the District's investment policy and in accordance with Section 53601 of the California Government Code (Code), the District may invest in the following types of investments:

- Securities of the U.S. Government, or its agencies;
- Certificates of deposit (or time deposits) placed with commercial banks and/or savings and loan companies;
- State of California - Local Agency Investment Fund;
- Investment Trust of California - CalTrust;
- Checking accounts or passbook savings account demand deposits; and
- Money market mutual funds.

The District's investment policy is to apply the prudent-person rule: investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital and, in general, avoid speculative investments. The District's investment policy does not contain any specific provisions intended to limit the District's allowable deposits or investments or address the specific types of risk to which the government is exposed, including its exposure to a concentration of credit risk.

2. CASH AND INVESTMENTS (continued)

B. Investment in State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the Code under the oversight of the Treasurer of the State of California. The District's investment in this pool is reported in the accompanying financial statements at amounts based on the District's pro rata share of the value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. At June 30, 2021, the District's investment in LAIF was $430,658. At June 30, 2020, the District's investment in LAIF was $128,816.

C. Investment Trust of California (CalTrust)

CalTrust is organized as a Joint Powers Authority established by public agencies in California for the purpose of pooling and investing local agency funds. A Board of Trustees supervises and administers the investment program of the Trust. CalTrust has four pools: money market account, short-term, medium-term and long-term. The District has deposits in the Short-Term Fund as of June 30, 2021 and 2020. The District is a voluntary participant in CalTrust. District's investments in these pools are reported in the accompanying financial statements at net asset value based on the District's pro rata share of the respective pools as reported by CalTrust. The average cost of the District's investment in the Short-Term Fund as of June 30, 2021 was $3,199,068, and its net asset value (withdrawal value) was $3,222,409. The average cost of the District's investment in the Short-Term Fund as of June 30, 2020 was $3,183,352, and its net asset value (withdrawal value) was $3,213,064.

D. California Asset Management Pool (CAMP)

The District is a voluntary participant in the California Asset Management Program (CAMP), which was established as a nontaxable investment portfolio under provisions of the California Joint Exercise of Powers Act to provide California Public Agencies with comprehensive investment management services. There are no minimum deposit requirements or limits on deposits and withdrawals. Dividends from net investment income are declared on a daily basis and paid on the last day of the month. Dividends paid are automatically reinvested in each account by the purchase of additional shares. The contract creating the program specifies the types of investments that can be made by the investment portfolio with available cash: U.S. Government securities, securities of federally sponsored agencies, repurchase agreements, banker's acceptances, negotiable certificates of deposit and commercial paper. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by CAMP which was $18,753,929 as of June 30, 2021. At June 30, 2020, the District investment in CAMP was $18,717,876.

2. CASH AND INVESTMENTS (continued)

E. Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Code and the District's investment policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits:

> The Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies.

Of the bank balances, up to $250,000 held at each institution were federally insured, and the remaining balance is collateralized in accordance with the Code; however, the collateralized securities are not held in the District's name.

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

F. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter-term and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio matures or comes close to maturity evenly over time as necessary to provide for cash flow requirements and liquidity needed for operations.

G. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

2. CASH AND INVESTMENTS (continued)

G. Credit Risk (continued)

Presented below is the minimum rating required by (where applicable) the Code, the District's investment policy, or debt agreements, and the actual rating as of year-end for each investment type.

	Minimum legal rating	Rating as of year end
California Local Agency Investment Fund	None	Not rated
Investment Trust of California (CalTrust Short-term fund)	None	AAf
California Asset Management Program	None	AAAm
Certificates of Deposit	A/A-1	Not rated

H. Concentrations of Credit Risk

The District's investment policy contains no limitations on the amounts that can be invested in any one issuer beyond that stipulated by the Code. There were no investments in any one issuer (other than for U.S. Treasury securities, mutual funds and external investment pools) that represent 5% or more of the District's total investments at June 30, 2021.

3. FAIR VALUE MEASUREMENTS

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. These principles recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Investments reflect prices quoted in active markets;
- Level 2: Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active; and
- Level 3: Investments reflect prices based on unobservable sources.

The District does not have any investments subject to the fair value hierarchy.

4. COMPENSATED ABSENCES

The changes to compensated absences balances for the years ended June 30 were as follows:

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021	Due within one year
Compensated absences	$ 167,005	$ 93,877	$ (53,205)	$ 207,677	$ 49,400

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020	Due within one year
Compensated absences	$ 123,809	$ 77,670	$ (34,474)	$ 167,005	$ 46,778

5. UNEARNED REVENUE

In 1993, the District entered into a lease agreement for the extraction of rock, sand and gravel from Section 7 property within the Wash Plan area. The District received a $5,000,000 prepayment against future rentals and royalties on 12,000,000 tons of material to be earned when mining was initiated. The lease commencement date was December 31, 2002, but due to delays in the Wash Plan, the agreement was subsequently amended in 2003. This amendment linked the commencement of operations to the approval of the Wash Plan. The initial term of the lease is for ten years with four successive five-year renewal periods. The lease agreement requires a minimum annual rent of $1,000,000 after the initial prepayment is exhausted. In the event the lessee is unable to obtain necessary permits for operations within the Wash Plan area, the prepaid $5,000,000 would then become refundable without interest, upon a one-year notice.

The District entered into an agreement with another government in which the District received $18,437,500. The monies are obligated for capital construction projects for the anticipated habitat mitigation requirements for the Upper Santa Ana River Habitat Conservation Plan (River HCP). An additional amount of $18,437,500 will be paid when certain conditions have been met. Please see the agreement for additional details.

The District entered into an agreement with multiple governments under the San Bernardino Groundwater Council. The District received a $152,415 prepayment for Groundwater Sustainability cost share based upon the equitable allocation budget as prosed in the agreement.

6. CAPITAL ASSETS

Changes in capital assets for the year were as follows:

	Balance at July 1, 2020	Additions	Deletions	Balance at June 30, 2021
Capital assets not being depreciated:				
Land and land improvements	$ 4,120,341	$ 42,521	$ -	$ 4,162,862
Construction in progress	1,019,147	932,757	(1,131,719)	820,185
Total capital assets not being depreciated	5,139,488	975,278	(1,131,719)	4,983,047
Capital assets being depreciated:				
Structures and improvements	1,239,950	-	-	1,239,950
Improvements	298,550	8,485	-	307,035
Vehicles and equipment	224,296	76,550	(64,955)	235,891
Office equipment	146,947	-	-	146,947
Field equipment	291,454	31,253	-	322,707
Equipment	20,533	1,131,719	-	1,152,252
Recharge basins and facilities	330,192	-	-	330,192
Total capital assets being depreciated	2,551,922	1,248,007	(64,955)	3,734,974
Less accumulated depreciation:				
Buildings and improvements	(825,765)	(38,795)	-	(864,560)
Equipment	(530,697)	(41,377)	47,551	(524,523)
Recharge basins and facilities	(99,839)	(38,040)	-	(137,879)
Total accumulated depreciation	(1,456,301)	(118,212)	47,551	(1,526,962)
Net capital assets being depreciated	1,095,621	1,129,795	(17,404)	2,208,012
Net capital assets	$ 6,235,109	$ 2,105,073	$(1,149,123)	$ 7,191,059

Depreciation expense was allocated as follows for the year ended June 30, 2021:

Depreciation expense:	
District operations	$ 83,902
Redlands Plaza (included in property expense)	34,310
Total depreciation expense	$ 118,212

6. CAPITAL ASSETS (continued)

Changes in capital assets for the prior year were as follows:

	Balance at July 1, 2019	Additions	Deletions	Balance at June 30, 2020
Capital assets not being depreciated:				
Land and land improvements	$ 4,081,100	$ 39,241	$ -	$ 4,120,341
Construction in progress*	990,136	58,941	(29,930)	1,019,147
Total capital assets not being depreciated	5,071,236	98,182	(29,930)	5,139,488
Capital assets being depreciated:				
Structures and improvements	1,212,300	27,650	-	1,239,950
Improvements	213,823	84,727	-	298,550
Vehicles and equipment	151,837	72,459	-	224,296
Office equipment	146,947	-	-	146,947
Field equipment	288,894	2,560	-	291,454
Equipment	20,533	-	-	20,533
Recharge basins and facilities	330,192	-	-	330,192
Total capital assets being depreciated	2,364,526	187,396	-	2,551,922
Less accumulated depreciation:				
Buildings and improvements	(784,217)	(41,548)	-	(825,765)
Equipment	(504,269)	(26,428)	-	(530,697)
Recharge basins and facilities	(93,236)	(6,603)	-	(99,839)
Total accumulated depreciation	(1,381,722)	(74,579)	-	(1,456,301)
Net capital assets being depreciated	982,804	112,817	-	1,095,621
Net capital assets	$ 6,054,040	$ 210,999	$ (29,930)	$ 6,235,109

*As restated

Depreciation expense was allocated as follows for the year ended June 30, 2020:

Depreciation expense:	
District operations	$ 37,237
Redlands Plaza (included in property expense)	37,342
Total depreciation expense	$ 74,579

7. DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

Plan Description

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Plan or PERF C) administered by the California Public Employees' Retirement System (CalPERS.) The Plan consists of a miscellaneous pool and a safety pool (also referred to as "risk pools"), which are comprised of individual employer miscellaneous and safety rate plans, respectively. Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under generally accepted accounting principles. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The District participates in one rate plan (one miscellaneous). Benefit provisions under the Plan are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS' website, at www.calpers.ca.gov.

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 5 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost-of-living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plan operates under the provisions of the California Public Employees' Retirement Law (PERL), the California Public Employees' Pension Reform Act of 2013 (PEPRA), and the regulations, procedures and policies adopted by the CalPERS Board of Administration. The Plan's authority to establish and amend the benefit terms are set by the PERL and PEPRA, and may be amended by the California state legislature and in some cases require approval by the CalPERS Board.

7. DEFINED BENEFIT PENSION PLAN (continued)

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

	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.5% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50	52
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	1.0% to 2.5%
Required employee contribution rates	8.000%	6.75%
Current required employer contribution rates	12.361%	7.732%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law (PERL) 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 CalPERS' annual actuarial valuation process. For public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions. Employer Contributions to the Plan for the fiscal year ended June 30, 2021 were $534,129. The actual employer payments of $119,349 made to CalPERS by the District during the measurement period ended June 30, 2020 differed from the District's proportionate share of the employer's contributions of $171,975 by $52,626, which is being amortized over the expected average remaining service lifetime in the Public Agency Cost-Sharing Multiple Employer Plan

Net Pension Liability

The District's net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability is measured as of June 30, 2020, using an annual actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is as follows.

7. DEFINED BENEFIT PENSION PLAN (continued)

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market Value of Assets
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by entry age and service
Mortality Rate Table (1)	Derived using CALPERS' membership data for all Funds
Post Retirement Benefit Increase	The lesser of contract COLA or 2.50% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.50% thereafter.

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

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

7. DEFINED BENEFIT PENSION PLAN (continued)

Long-term expected rate of return

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

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

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

Asset Class[1]	Assumed asset allocation	Real return years 1 - 10[2]	Real return years 11+[3]
Global equity	50.00%	4.80%	5.98%
Fixed income	28.00%	1.00%	2.62%
Inflation assets	0.00%	0.77%	1.81%
Private equity	8.00%	6.30%	7.23%
Real assets	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	(0.92%)
Total	100%		

[1] In the System's ACFR, fixed income is included in global debt securities: liquidity is included in short-term investments; inflation assets are included in both global equity and global debt securities.

[2] An expected inflation of 2.0% used for this period

[3] An expected inflation of 2.92% used for this period

7. DEFINED BENEFIT PENSION PLAN (continued)

Change of Assumptions

The Plan adopted a new amortization policy effective with the 2019 actuarial valuation. The new amortization policy shortens the period over which actuarial gains and losses are amortized from 30 years to 20 years with the payments computed as a level dollar amount. In addition, the new policy does not utilize a five-year ramp-up and ramp-down on UAL bases attributable to assumption changes and non-investment gains/losses. The new policy also does not utilize a five-year ramp-down on investment gains/losses. These changes apply only to new UAL bases established on or after June 30, 2019.

Discount Rate

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

Pension Plan Fiduciary Net Position

Information about the pension plan's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position are presented in CalPERS' audited financial statements, which are publicly available reports that can be obtained at CalPERS' website, at www.calpers.ca.gov. The plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis used by the pension plan, which is the economic resources measurement focus and the accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

Proportionate Share of Net Pension Liability

As of June 30, 2021 and 2020, the District reported net pension liabilities for its proportionate share of the net pension liability of $421,265 and $324,184, respectively.

	2021	2020
Total pension liability	$ 4,270,343	$ 3,929,545
Fiduciary net position	3,849,078	3,605,361
Net pension liability	$ 421,265	$ 324,184

7. DEFINED BENEFIT PENSION PLAN (continued)

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

	Plan total pension liability	Plan fiduciary net position	Plan net pension liability
Balance at: 6/30/2019 (Valuation Date)	$ 3,929,545	$ 3,605,361	$ 324,184
Balance at: 6/30/2020 (Measurement Date)	4,270,343	3,849,078	421,265
Net change during 2019-2020	340,798	243,717	97,081

The District's proportion of the net pension liability was determined by CalPERS using the output from the Actuarial Valuation System and the fiduciary net position, as provided in the CalPERS Public Agency Cost-Sharing Allocation Methodology Report, which is a publicly available report that can be obtained at CalPERS' website, at www.calpers.ca.gov. The District's proportionate share of the net pension liability for the Miscellaneous Plan as of the June 30, 2018, 2019 and 2020 measurement dates was as follows:

	2021	2020
Proportionate share - June 30, 2018		0.00633%
Proportionate share - June 30, 2019	0.00810%	0.00810%
Proportionate share - June 30, 2020	0.00999%	
Change	0.00189%	0.00177%

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 of the miscellaneous plan as of the measurement date, calculated using the discount rate of 7.15 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15 percent) or 1 percentage-point higher (8.15 percent) than the current rate:

June 30, 2021	Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
District's net pension liability	$ 989,543	$ 421,265	$ (48,286)

June 30, 2020	Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
District's net pension liability	$ 852,720	$ 324,184	$ (112,085)

7. DEFINED BENEFIT PENSION PLAN (continued)

Subsequent Events

There were no subsequent events that would materially affect the results presented in this disclosure.

Amortization of Deferred Outflows and Deferred Inflows of Resources

Under GASB 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

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

The amortization period differs depending on the source of the gain or loss:

Net difference between projected and actual earnings on pension plan investments	5 year straight-line amortization
All other amounts	Straight-line amortization over the expected average remaining service lives (EARSL) of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period

The expected average remaining service lifetime (EARSL) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the Public Agency Cost-Sharing Multiple-Employer Plan (PERF C).

The EARSL for PERF C for the measurement period ending June 30, 2020, is 3.8 years, which was obtained by dividing the total service years of 548,581 (the sum of remaining service lifetimes of the active employees) by 145,663 (the total number of participants: active, inactive, and retired) in PERF C. Inactive employees and retirees have remaining service lifetimes equal to 0. Total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

7. DEFINED BENEFIT PENSION PLAN (continued)

Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

As of the start of the measurement period (July 1, 2019), the District net pension liability was $324,184. For the measurement period ending June 30, 2020, and June 30, 2019 (the measurement dates), the District incurred a pension expense of $218,665 and $197,958, respectively.

At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions as follows:

	2021	
	Deferred outflows of resources	Deferred inflows of resources
Pension contributions subsequent to the measurement date	$ 534,129	$ -
Difference in actual vs projected contributions	-	85,261
Changes in assumptions	-	3,005
Difference between expected and actual experience	21,709	-
Net difference between projected and actual earnings on pension plan investments	12,514	-
Changes in proportion	114,505	-
Totals	$ 682,857	$ 88,266

7. DEFINED BENEFIT PENSION PLAN (continued)

The amounts above are net of outflows and inflows recognized in the 2019-20 measurement period expense. Contributions subsequent to the measurement date of $534,129 reported with deferred outflows of resources will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

Fiscal year ending June 30,	Amount
2022	$ 28,614
2023	13,335
2024	12,511
2025	6,002
2026	-
Remaining	-

At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions as follows:

	2020	
	Deferred outflows of resources	Deferred inflows of resources
Pension contributions subsequent to the measurement date	$ 119,349	$ -
Difference in actual vs projected contributions	-	92,801
Changes in assumptions	9,979	-
Difference between expected and actual experience	20,771	-
Net difference between projected and actual earnings on pension plan investments	-	5,667
Changes in proportion	130,417	-
Totals	$ 280,516	$ 98,468

The District reported $119,349 as deferred outflows of resources related to contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the upcoming fiscal year.

Payable to the Pension Plan

At June 30, 2021, the District reported a payable of $0 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2021.

8. OTHER POST-EMPLOYMENT BENEFITS

General Information about the Plan

Plan Description

The District offers medical benefits to retired employees who satisfy the eligibility requirements. Spouses and surviving spouses are also eligible to receive benefits. Retirees may enroll in any medical plan available through the District. The contribution requirements of eligible retired employees and the District are established and may be amended by the Board of Directors. The plan does not issue separate financial statements. The plan is an agent multiple-employer post-employment plan.

Employees Covered by Benefit Terms

As of the June 30, 2021 valuation, the following current and former employees were covered by the benefit terms under the plan:

	2021
Active plan members	9
Retirees and beneficiaries receiving benefits	1
Separated plan members entitled to but not yet receiving benefits	-
	10

Benefits and Contributions

The contribution requirements of plan members and the District are established and may be amended by the District. Contributions are calculated using the alternative measurement method. The District contributes 100% of the retiree and dependent up to the current maximum cost of $1,702 per month. For the fiscal year ended June 30, 2021, the District's cash contributions were $0 in payments to the trust. Other contributions included $19,499 in unreimbursed benefits paid and $12,036 in implicit contributions.

In fiscal year 2016, the District created a California Employer's Retiree Benefit Trust (CERBT) with California Public Employees Retirement System (CalPERS) for the purpose of prefunding obligations for past services.

8. OTHER POST-EMPLOYMENT BENEFITS (continued)

Net OPEB Liability

The District's net OPEB asset was measured as of June 30, 2021 and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation dated June 30, 2021. The data entered as economic assumptions and member data to calculate the actuarial present value of future benefits for each individual. This projection uses the assumed retirement age for members of the plan and the employer's portion of health insurance premiums for current retirees and spouses as a statistical base to forecast the cost of future benefits. The projections differentiate between members who are Medicare eligible and those who are not. Premiums are inflated using future insurance premium increase assumptions.

The assumed retirement age for active members and their spouses is adjusted to reflect any eligibility requirement, such as a vesting period, by entering an eligible retirement age in the member data for each active member.

The valuation was based on the following actuarial methods and assumptions:

Discount rate	6.50%
Inflation	2.50%
Salary increases	3.00%
Investment rate of return	6.50%
Mortality	Those published in the 2017 study of the CalPERS system using data from 1997 to 2015, adjusted back 15 years of Scale MP 2016 to central year 2015.
Pre-retirement turnover healthcare trend rate	5.7% in 2022 fluctuating down to an ultimate level of 4.0 by 2076

Discount Rate

The expected long-term investment return assumptions were developed for each of the three asset allocation strategies using a building block approach based as well as taking into account the expected inflation rate, short and long term real return expectations, and the expected cash flows of a hypothetical large plan.

8. OTHER POST-EMPLOYMENT BENEFITS (continued)

The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset class	Target allocation	Long-term expected rate of return
Global equity	59%	4.80%
Fixed income	25%	1.10%
Treasury inflation protected securities	5%	0.25%
Real estate investment trusts	8%	3.20%
Commodities	3%	1.50%
	100%	

Changes in the Net OPEB Asset

The changes in the net OPEB asset for the Plan are as follows as of June 30, 2021:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (c)= (a) - (b)
Balance at June 30, 2020 (Valuation Date June 30, 2021)	$ 492,834	$ 502,076	$ (9,242)
Changes recognized for the measurement period:			
Service cost	26,395	-	26,395
Interest	32,727	-	32,727
Contributions - employer	-	31,485	(31,485)
Net investment income	-	32,626	(32,626)
Assumption changes	6,665	-	6,665
Plan experience	(50,909)	-	(50,909)
Investment experience	-	105,365	(105,365)
Benefit payments	(31,485)	(31,485)	-
Administrative expenses	-	(282)	282
Net Changes	(16,607)	137,709	(154,316)
Balance at June 30, 2021 (Measurement Date June 30, 2021)	$ 476,227	$ 639,785	$ (163,558)

8. OTHER POST-EMPLOYMENT BENEFITS (continued)

The changes in the net OPEB asset for the Plan are as follows as of June 30, 2020:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (c)= (a) - (b)
Balance at June 30, 2019			
(Valuation Date June 30, 2019)	$ 461,195	$ 343,289	$ 117,906
Changes recognized for the measurement period:			
Service cost	25,626	-	25,626
Interest	30,837	-	30,837
Changes of assumptions	-	-	-
Plan experience differences	-	-	-
Contributions - employer	-	168,356	(168,356)
Net investment income	-	26,973	(26,973)
Assumption changes	-	-	-
Plan experience	-	-	-
Investment experience	-	(11,534)	11,534
Benefit payments	(24,824)	(24,824)	-
Administrative expenses	-	(184)	184
Net Changes	31,639	158,787	(127,148)
Balance at June 30, 2020			
(Measurement Date June 30, 2020)	$ 492,834	$ 502,076	$ (9,242)

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

The following presents the net OPEB asset of the District if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2021 and 2020:

2021	Discount rate -1%	Assumed discount rate	Discount rate +1%
Net OPEB liability/(asset)	$ (135,349)	$ (163,558)	$ (189,189)

2020	Discount rate -1%	Assumed discount rate	Discount rate +1%
Net OPEB liability/(asset)	$ 17,417	$ (9,242)	$ (33,707)

8. OTHER POST-EMPLOYMENT BENEFITS (continued)

Sensitivity of the Net OPEB Asset to Changes in the Health Care Cost Trend Rates

The following presents the net OPEB asset of the District if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2021 and 2020:

2021	Healthcare cost trend -1%	Healthcare cost trend assumed	Healthcare cost trend +1%
Net OPEB liability/(asset)	$ (193,831)	$ (163,558)	$ (128,477)

2020	Healthcare cost trend -1%	Healthcare cost trend assumed	Healthcare cost trend +1%
Net OPEB liability/(asset)	$ 237,492	$ (9,242)	$ 199,038

Net OPEB Plan Fiduciary Net Position

CalPERS issues a publicly available CERBT financial report that may be obtained from the CalPERS' website at www.calpers.ca.gov.

Changes in Assumptions

Mortality improvement	Updated from MacLeod Watts Scale 2018 to MacLeod Watts Scale 2020. See Addendum 3 for details.
Medical trend	Updated to the Getzen model which was published by the Society of Actuaries.
General inflation rate	Decreased from 2.75% to 2.5% per year
Salary increase	Decreased from 3.25% to 3.0% per year
Excise tax on High-cost Coverage	Removed after this tax was repealed in December 2019 repeal of this provision of the Affordable Care Act.

8. OTHER POST-EMPLOYMENT BENEFITS (continued)

Net OPEB Expense Related to Net OPEB Asset

For the fiscal year ended June 30, 2021 and 2020, the District recognized OPEB expense of $8,312 and $37,291 respectively. As of fiscal year ended June 30, 2021 and June 30, 2020, the District reported the following deferred outflows/inflows of resources related to its Net OPEB Asset:

2021	Deferred outflows of resources	Deferred inflows of resources
Changes in assumptions	$ 180,491	$ -
Differences between expected and actual experience	-	162,363
Net difference between projected and actual earnings on investments	-	82,338
Total	$ 180,491	$ 244,701

2020	Deferred outflows of resources	Deferred inflows of resources
Changes in assumptions	$ 198,301	$ -
Differences between expected and actual experience	-	133,146
Net difference between projected and actual earnings on investments	1,778	-
Total	$ 200,079	$ 133,146

The District reported $-0- as deferred outflows of resources related to contributions subsequent to the measurement date that will be recognized as a reduction of the net OPEB liability in the upcoming fiscal year. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized as OPEB expense as follows:

Fiscal year ending June 30,	Amount
2022	$ (18,466)
2023	(18,466)
2024	(15,984)
2025	(18,290)
2026	2,783
Remaining	4,213

9. LEASE AGREEMENTS

The District is the lessor in various lease agreements, providing for the excavation and removal of rock, gravel, sand, and other materials from District property. Monthly lease payments are generally based on tonnage of materials removed, subject to annual minimum amounts.

The District is the lessor of commercial building space under operating leases expiring in various years through the year ending June 30, 2025. The cost of the associated assets is $1,421,837 with a net book value of $710,630.

Future minimum rents and royalties to be received on non-cancelable leases as of June 30 are as follows:

Year	Rents	Royalties	Total
2022	$ 137,308	$ 550,000	$ 687,308
2023	120,851	-	120,851
2024	55,817	-	55,817
2025	21,695	-	21,695
Totals	$ 335,671	$ 550,000	$ 885,671

10. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is insured for a variety of potential exposures and is a member of the ACWA Joint Powers Insurance Authority. The following is a summary of the insurance coverage carried by the District as of June 30, 2021:

- *General, Auto and Public Official Liability:* pooled self-insured up to $5 million per claim with excess purchased insurance up to $55 million. None of the policies has a deductible;
- *Property*: pooled self-insured up to $100,000 per claim with excess purchased insurance up to $500 million. The property policy has a deductible of $1,000 for real and personal property and mobile equipment. Licensed vehicles and trailers have a $500 deductible. Boiler and machinery deductibles vary in accordance with the type of property;
- *Crime, Computer Fraud, Forgery, and Dishonesty Coverage*: pooled self-insured up to $100,000 per claim with a $1,000 deductible;
- *Workers' Compensation*: pooled self-insured up to $2 million per accident or employee by disease with excess from $4 million to statutory requirements; and
- *Cyber Liability*: $5 million per claim, $5 million aggregate.

11. GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS ISSUED, NOT YET EFFECTIVE

The GASB has issued several pronouncements prior to June 30, 2021 that have effective dates that may impact future financial presentations.

Governmental Accounting Standards Board Statement No. 87

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The provisions of this Statement are effective for periods beginning after June 15, 2021. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

Governmental Accounting Standards Board Statement No. 89

In June 2018, the GASB issued Statement No. 89, A*ccounting for Interest Cost Incurred before the End of a Construction Period.* The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The provisions of this Statement are effective for fiscal years beginning after December 15, 2020. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

Governmental Accounting Standards Board Statement No. 91

In August 2018, the GASB issued Statement No. 91, *Conduit Debt Obligations.* The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The provisions of this Statement are effective for fiscal years beginning after December 15, 2021. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

Governmental Accounting Standards Board Statement No. 92

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020.* The primary objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve consistency of authoritative literature by addressing practice issues that have been identified during the implementation and application of previous guidance. Certain provisions of this Statement are effective for fiscal years beginning after June 15, 2021. Other provisions are effective for reporting periods beginning after June 15, 2021. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

11. GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS ISSUED, NOT YET EFFECTIVE (continued)

Governmental Accounting Standards Board Statement No. 93

In May 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. The provisions of this Statement are effective for fiscal years beginning after June 15, 2021. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

Governmental Accounting Standards Board Statement No. 94

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Partnerships.* The primary objective of this Statement is to improve financial reporting by addressing issues related to these arrangements. The provisions of this Statement are effective for fiscal years beginning after June 15, 2022. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

Governmental Accounting Standards Board Statement No. 96

In May 2020, the GASB issued Statement No. 96, *Subscription-based Information Technology Arrangements.* The primary objective of this Statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The provisions of this Statement are effective for fiscal years beginning after June 15, 2022. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

Governmental Accounting Standards Board Statement No. 97

In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred* Compensation Plans. he primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plan. Certain provisions are effective immediately (no effect on the 2020 financial statements). Other provisions of this Statement are effective for fiscal years beginning after June 15, 2021. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

12. COMMITMENTS AND CONTINGENCIES

Litigation

In the ordinary course of operations, the District is subject to claims and litigation from outside parties. After consultation with legal counsel, the District believes the ultimate outcome of such matters, if any, will not materially affect its financial condition.

13. Prior Period Adjustment

The District's net position was restated as follows due to the capitalization of a construction in progress project that had been previously expensed.

District	Amount
Net position, beginning of year 2020, as previously stated	$ 8,975,083
Prior period adjustment	673,368
Net position, beginning of year 2020, restated	$ 9,648,451

As discussed in Note 1, the District implemented GASB Statement No. 84. Accordingly, beginning net position has been retroactively restated as follows for the Fiduciary Fund.

Fiduciary Fund	Amount
Net position, beginning of year 2019, as previously stated	$ -
Prior period adjustment	(850,388)
Net position (deficit), beginning of year 2019, restated	$ (850,388)

REQUIRED SUPPLEMENTARY INFORMATION

San Bernardino Valley Water Conservation District
Schedule of Proportionate Share of the Net Pension Liability and Related Ratios as of the Measurement Date
Last 10 Fiscal Years *

	Measurement date						
	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Employer's Proportion of the Collective Net Pension Liability[1]	0.00071%	0.00810%	0.00633%	0.00675%	0.00595%	0.02708%	0.00892%
Employer's Proportionate Share of the Collective Net Pension Liability	$ 421,265	$ 324,184	$ 238,734	$ 266,161	$ 206,530	$ 743,026	$ 555,348
Covered Payroll	$ 1,071,333	$ 979,060	$ 758,985	$ 709,190	$ 689,423	$ 577,644	$ 553,862
Employer's Proportionate Share of the Collective Net Pension Liability as a Percentage of the Covered Payroll	39.32%	33.11%	31.45%	37.53%	29.96%	128.63%	100.27%
Pension Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability	77.71%	77.73%	77.69%	75.39%	75.87%	79.89%	83.03%

[1] Proportion of the net pension liability represents the plan's proportion of PERF C, which includes both the Miscellaneous and Safety Risk Pools excluding the 1959 Survivors Risk Pool.

* Historical information is required only for measurement periods for which GASB No. 68 is applicable. GASB No. 68 was implemented in the fiscal year ended June 30, 2015 with a measurement date of June 30, 2014.

San Bernardino Valley Water Conservation District
Schedule of Contributions – Pension Plan
Last 10 Fiscal Years *
June 30, 2021

	Fiscal Year							
	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Actuarially Determined Contribution	$ 146,727	$ 119,349	$ 78,252	$ 69,728	$ 69,418	$ 88,829	$ 52,231	$ 76,810
Contributions in Relation to the Actuarially Determined Contribution	(534,129)	(119,349)	(78,252)	(69,728)	(69,418)	(88,829)	(52,231)	(76,810)
Contribution Deficiency (Excess)	$ (387,402)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 1,071,333	$ 979,060	$ 758,985	$ 709,190	$ 689,423	$ 577,644	$ 553,862	$ 502,836
Contributions as a Percentage of Covered Payroll	49.86%	12.19%	10.31%	9.83%	10.07%	15.38%	9.43%	15.28%

Notes to Schedule:

Change in Benefit Terms: None

Changes in Assumptions: For the 2019 actuarial valuation (2020 measurement period), a new amortization policy came into effect shortening the period over which actuarial gains and losses are amortized from 30 years to 20 years with the payments computer as a level dollar amount. A five-year ramp-up and ramps-down on UAL bases attributable to assumption changes and non-investment gain and losses is no longer utilized and a five-year ramp-down on investment gains/losses is also not utilized. There were no changes in assumptions in 2019. In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate in 2019. In 2017, the accounting discount rate was reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes in the discount rate. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense). In 2014, amounts reported were based on the 7.5 percent discount rate.

* Historical information is required only for measurement periods for which GASB No. 68 is applicable. GASB No. 68 was implemented in the fiscal year ended June 30, 2015 with a measurement date of June 30, 2014.

San Bernardino Valley Water Conservation District
Schedule of Changes in the Net OPEB Liability and Related Ratios
For the Year Ended June 30, 2021

	Measurement period			
	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Total OPEB Liability				
Service Cost	$ 26,395	$ 25,626	$ 41,893	$ 40,871
Interest	32,727	30,837	18,117	13,313
Actual and expected experience difference	(50,909)	-	(165,000)	-
Changes in assumptions	6,665	-	245,741	-
Benefit payments	(31,485)	(24,824)	-	-
Net change in Total OPEB Liability	(16,607)	31,639	140,751	54,184
Total OPEB Liability - beginning	492,834	461,195	320,444	266,260
Total OPEB Liability - ending (a)	476,227	492,834	461,195	320,444
Plan Fiduciary Net Position				
Contribution - employer	31,485	168,356	218,507	37,767
Net investment income	137,991	15,439	22,971	4,900
Benefit payments	(31,485)	(24,824)	-	-
Administrative expense	(282)	(184)	(126)	(35)
Net change in Plan Fiduciary Net Position	137,709	158,787	241,352	42,632
Plan Fiduciary Net Position - beginning	502,076	343,289	101,937	59,305
Plan Fiduciary Net Position - ending (b)	639,785	502,076	343,289	101,937
Net OPEB Liability (Asset) - ending (a) - (b)	$ (163,558)	$ (9,242)	$ 117,906	$ 218,507
Plan fiduciary net position as a percentage of the total OPEB liability	134.34%	101.88%	74.43%	31.81%
Covered employee payroll	$ 1,114,100	$ 970,271	$ 758,985	$ 707,053
Net OPEB liability as a percentage of covered employee payroll	-14.68%	-0.95%	15.53%	30.90%

* Historical information is required only for measurement periods for which GASB No. 75 is applicable. GASB No. 75 was implemented in the fiscal year ended June 30, 2018 with a measurement date of June 30, 2018.

San Bernardino Valley Water Conservation District
Schedule of Contributions – OPEB
For the Year Ended June 30, 2021

	Fiscal year			
	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Actuarially Determined Contribution	$ 22,311	$ 43,693	$ 54,851	$ 37,767
Contributions in Relation to the Actuarially Determined Contribution	(31,485)	(168,356)	(218,507)	(37,767)
Contribution Deficiency (Excess)	$ (9,174)	$ (124,663)	$ (163,656)	$ -
Covered Payroll	$ 1,114,100	$ 970,271	$ 758,985	$ 707,053
Contributions as a Percentage of Covered Payroll	2.83%	17.35%	28.79%	5.34%

Notes to Schedule:

Change in Benefit Terms : None

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level % of payroll
Amortization period	30 years remain
Asset valuation method	Market value of assets
Inflation	2.50%
Salary increases	3.00%
Investment rate of return	6.50%
Mortality	CalPERS 2017 experience study
Pre-retirement turnover healthcare trend rate	5.7% in 2022 fluctuating down to an ultimate level of 4.0% by 2076

Changes in assumptions:

Mortality improvement	Updated from MacLeod Watts Scale 2018 to MacLeod Watts Scale 2020. See Addendum 3 for details.
Medical trend	Updated to the Getzen model which was published by the Society of Actuaries.
General inflation rate	Decreased from 2.75% to 2.5% per year
Salary increase	Decreased from 3.25% to 3.0% per year
Excise tax on High-cost Coverage	Removed after this tax was repealed in December 2019 repeal of this provision of the Affordable Care Act.

Historical information is required only for measurement periods for which GASB No. 75 is applicable. GASB No. 75 was implemented in the fiscal year ended June 30, 2018 with a measurement date of June 30, 2018

SUPPLEMENTARY INFORMATION

San Bernardino Valley Water Conservation District
Schedules of Operating Revenues and Expenses
For the year ended June 30, 2021 (with comparative data for 2020)

	2021	2020
Operating revenues		
Groundwater assessments		
Groundwater charge assessments - agricultural	$ 121,142	$ 141,818
Groundwater charge assessments - nonagricultural	1,117,169	1,146,863
Operating agreements		
Enhanced recharge agreement	415,203	407,062
Services to other agencies	30,000	68,775
Total operating revenues	1,683,514	1,764,518
Operating expenses		
District operations		
Professional services	205,032	352,728
Field operations	126,022	206,239
Utilities	21,876	20,768
Salaries/staff	837,690	844,885
Benefits	369,894	453,464
Repairs and maintenance	-	49,500
Total District operations	1,560,514	1,927,584
Regional programs		
Regional programs LAFCO contribution	4,282	3,952
Total regional programs	4,282	3,952
General and administrative		
Directors' fees and expenses	78,973	89,124
Staff travel and education	4,916	11,497
Insurance	29,423	24,667
Other administrative	104,300	80,274
Total general and administrative	217,612	205,562
Total operating expenses	1,782,408	2,137,098
Operating income (loss) before depreciation expense	(98,894)	(372,580)
Depreciation expense	83,902	37,237
Operating income (loss)	$ (182,796)	$ (409,817)

REPORT ON INTERNAL CONTROL AND COMPLIANCE

ROGERS, ANDERSON, MALODY & SCOTT, LLP
CERTIFIED PUBLIC ACCOUNTANTS, SINCE 1948

735 E. Carnegie Dr. Suite 100
San Bernardino, CA 92408
909 889 0871 T
909 889 5361 F
ramscpa.net

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

Independent Auditor's Report

Board of Directors
San Bernardino Valley Water Conservation District
Redlands, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the San Bernardino Valley Water Conservation District (District), which comprise the statement of net position as of June 30, 2021, and the related statement of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 29, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rogers, Anderson, Malody & Scott, LLP.

September 29, 2021
San Bernardino, California