

Solano County Water Agency

Financial Statements
And
Independent Auditor's Report For
the Year Ended
June 30, 2020



Solano County Water Agency
Basic Financial Statements
For the year ended June 30, 2020

Table of Contents

	<u>Page</u>
<u>INTRODUCTORY SECTION</u>	
Table of Contents	i
<u>FINANCIAL SECTION</u>	
Independent Auditor’s Report	1
Management’s Discussion and Analysis	4
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	12
Statement of Activities	13
Fund Financial Statements:	
Governmental Fund Financial Statements:	
Balance Sheet	15
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position	16
Statement of Revenues, Expenditures and Changes in Fund Balances	17
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Government-Wide Statement of Activities	18
Notes to Basic Financial Statements	20
Required Supplementary Information:	
Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual:	
Solano Project	44
State Water Project	45
Ulatis Flood Control	46
Green Valley Flood Control	47

Solano County Water Agency
Basic Financial Statements
For the year ended June 30, 2020

Table of Contents

	<u>Page</u>
Required Supplementary Information (Continued):	
Defined Benefit Pension:	
Schedule of the Agency's Proportionate	
Share of the Net Pension Liability - Last 10 Years	48
Schedule of Contributions - Last 10 Years	48
Other Post-Employment Benefits (OPEB):	
Schedule of Changes in the Net OPEB Liability (Asset)	
and Related Ratios - Last 10 Years	49
Schedule of Contributions - Last 10 Years	50
Independent Auditor's Report on Internal Control over Financial Reporting and on	
Compliance and Other Matters Based on an Audit of Financial Statements	
Performed in Accordance with <i>Government Auditing Standards</i>	51



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of the Solano County Water Agency
Vacaville, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and major funds of the Solano County Water Agency (Agency), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Agency as of June 30, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

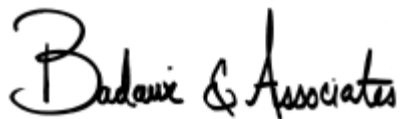
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension information, and OPEB information on pages 4-9 and 44-50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2021 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 Agency's internal control over financial reporting and compliance.



Badawi and Associates
Certified Public Accountants
Berkeley, California
January 27, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

SOLANO COUNTY WATER AGENCY
MANAGEMENTS DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020

The following discussion and analysis of the section of the Solano County Water Agency's (Agency) financial performance provides an overview of the Agency's financial activities for the fiscal year ending June 30, 2020. This information is presented in conjunction with the audited financial statements.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the Agency exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$65,948,955 (net position). Of this amount, \$21,211,403 represents unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors.
 - The Agency's total net position increased \$4,526,172.
 - At the close of the fiscal year, the Agency's governmental funds reported combined fund balances of \$52,907,138, an increase of \$3,816,840, in comparison with the prior year.

OVERVIEW OF THE ANNUAL FINANCIAL REPORT

The financial section of this report consists of four parts: Government-wide financial statements, fund financial statements, the notes to the financial statements, and required supplementary information.

The government-wide financial statements are prepared using the accrual basis of accounting. They present all the assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the Agency, with the difference reported as net position. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

The fund financial statements are prepared using the modified accrual basis of accounting. They present the assets and liabilities of the Agency that are expected to be generated by or used for near-term inflows or outflows, with the difference reported as fund balance. Changes in fund balance are reported if they will have an effect on the near-term cash flow of the Agency.

The notes provide additional information that is essential to the reader for a full understanding of the data provided in the government-wide and fund financial statements.

The required supplementary information presents the Agency's progress in funding its obligations to provide pension and health benefit to its employees as well as the Agency's budgetary comparison schedules.

SOLANO COUNTY WATER AGENCY
MANAGEMENTS DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020

NET POSITION

The Statement of Net Position presents the financial position of the Agency on a full accrual basis and provides information about the nature and amount of resources and obligations at year-end. It also provides the basis for computing rate of return, evaluating the capital structure of the Agency, and assessing the liquidity and financial flexibility of the Agency.

The following Table A-1 summarizes the Statement of Net Position as of June 30, 2020 and June 30, 2019 follows:

TABLE A-1
STATEMENT OF NET POSITION

	2020	2019	\$Change	%Change
ASSETS				
Current and other assets	\$ 54,864,906	\$ 51,258,348	\$ 3,606,558	7%
Noncurrent assets	170,895	156,345	14,550	9%
Capital assets	12,858,997	12,609,847	249,150	2%
Total Assets	<u>67,894,798</u>	<u>64,024,540</u>	<u>3,870,258</u>	<u>6%</u>
Deferred Outflows of Resources	<u>1,632,875</u>	<u>1,334,678</u>	<u>298,197</u>	<u>22%</u>
LIABILITIES				
Current liabilities	2,055,408	2,266,879	(211,471)	-9%
Noncurrent liabilities	862,850	1,311,327	(448,477)	-34%
Total Liabilities	<u>2,918,258</u>	<u>3,578,206</u>	<u>(659,948)</u>	<u>-18%</u>
Deferred Inflows of Resources	<u>660,460</u>	<u>358,229</u>	<u>302,231</u>	<u>84%</u>
NET POSITION				
Net investment in capital assets	12,858,997	12,609,847	249,150	2%
Restricted	31,878,555	28,224,034	3,654,521	13%
Unrestricted	<u>21,211,403</u>	<u>20,588,902</u>	<u>622,501</u>	<u>3%</u>
Total Net Position	<u>\$ 65,948,955</u>	<u>\$ 61,422,783</u>	<u>\$ 4,526,172</u>	<u>7%</u>

Table A-1 summarizes the net position of the Agency and reflects the net position increase of \$4,526,172 from \$61,422,783 in fiscal year 2019 to \$65,948,955 in fiscal year 2020. Net investment in capital assets increased \$249,150, reflecting the net of assets additions and depreciation on capital assets. Approximately 20% of the Agency's net position reflects its investment in capital assets (e.g., land, building, machinery, and equipment). The Agency uses these capital assets to provide services to the Agency; consequently, these assets are not available for future spending. The restricted net position totals \$31,878,555 at June 30, 2020 representing funds that are obligated to be spent within State Water Project, Ulati, and Green Valley. The increase in restricted net position of \$3,654,521 mainly consists of the revenues exceeding expenses in all of the funds. The unrestricted net position is a resource that can be used for transactions relating to the general operations of the Agency and increased by \$622,501, primarily due to the revenues exceeding the expenses in all of the funds.

SOLANO COUNTY WATER AGENCY
MANAGEMENTS DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020

CHANGES IN NET POSITION

The Statement of Net Position is a snapshot that shows assets and deferred outflows of resources, liabilities and deferred inflows of resources, and net position at a specific point in time. The Statements of Activities provides information on the nature and source of these assets and liabilities represented on the Statement of Net Position. This statement shows that revenues exceeded expenses by \$4,526,172 for fiscal year 2020.

The following Table A-2 summarizes the Statement of Activities for the fiscal years ending June 30, 2020 and June 30, 2019:

TABLE A-2
STATEMENT OF ACTIVITIES

	2020	2019	\$Change	%Change
REVENUES				
Program Revenues				
Charges for services	\$ 2,786,476	\$ 2,951,229	\$ (164,753)	-6%
Operating grants and contributions	959,082	999,765	(40,683)	-4%
General Revenues				
Property taxes	26,752,979	25,745,116	1,007,863	4%
Investment earnings	897,398	1,069,972	(172,574)	-16%
Other	124,314	160,928	(36,614)	-23%
Total Revenue	<u>31,520,249</u>	<u>30,927,010</u>	<u>593,239</u>	<u>2%</u>
EXPENSES				
Solano Project	11,114,866	11,591,271	\$ (476,405)	-4%
State Water Project	14,849,962	13,180,546	1,669,416	13%
Ulatis Flood Control	922,970	839,993	82,977	10%
Green Valley Flood Control	106,279	162,824	(56,545)	-35%
Total Expenses	<u>26,994,077</u>	<u>25,774,634</u>	<u>1,219,443</u>	<u>5%</u>
Change in net position	<u>4,526,172</u>	<u>5,152,376</u>	<u>(626,204)</u>	<u>-12%</u>
Net position - beginning	<u>61,422,783</u>	<u>56,270,407</u>	<u>5,152,376</u>	<u>9%</u>
Net position - ending	<u>\$ 65,948,955</u>	<u>\$ 61,422,783</u>	<u>\$ 4,526,172</u>	<u>7%</u>

Ending net position totaled \$65,948,955 at June 30, 2020, an increase in net position of \$4,526,172 or 7% from June 30, 2019. Total revenues increased by \$593,239 or 2% during the fiscal year 2020 compared to 2019. Property tax revenue increased in fiscal year 2020 compared to 2019 by \$1,007,863 or 4%. Grant revenues decreased by \$40,683 or 4%, from June 30, 2019. Total expenses increased by \$1,219,443 or 5% to \$26,994,077 in 2020. The Solano Project expenses decreased by \$476,405 from 2019 to 2020 primarily due to budget reductions for completed LPCCC grant projects and support, PSC, Dam, and Solano Project Operations & Maintenance increased slightly but were offset by Consulting costs for technical studies and support. The State Water Project expenses increased by \$1,669,416 from 2019 to 2020 primarily due to increased efforts on the Yolo Bypass/Cache Slough project and Petersen Ranch, and increased costs to DWR for Water related expenses. Ulatis and Green Valley have fluctuations in maintenance costs depending on the dry/wet annual cycles.

SOLANO COUNTY WATER AGENCY
MANAGEMENTS DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020

CAPITAL ASSETS

The Agency's capital assets, net of accumulated depreciation, consist mainly of land purchases (Petersen Ranch) and land improvements (Cement Hill Bypass). The Agency continues to add new water monitoring equipment and field equipment as part of its water supply and flood control operations. In addition, SCWA invested in new field vehicles, completed a computer server system, new field trucks for Solano Project operations, a vegetable transplanter and manure spreader for Lower Putah Creek restoration projects. Ulati project purchased a roll out bucket for the John Deere tractor, a new John Deere excavator, and a boom mower.

TABLE A-3
CAPITAL ASSETS

	2020	2019
Land	7,063,469	7,063,469
Construction-in-progress	36,482	7,302
Buildings	1,700,109	1,700,109
Cement Hill Bypass land improvements	2,535,494	2,535,494
Water monitoring equipment	2,310,374	2,300,466
Machinery and field equipment	3,073,995	2,613,440
Furniture, fixtures, and office equipment	364,136	114,364
Subtotal	17,084,059	16,334,644
Less accumulated depreciation	(4,225,062)	(3,724,797)
Total net capital assets	12,858,997	12,609,847

Additional information about the Agency's capital assets can be found in Note 4 in the Notes to the Basic Financial Statements.

SOLANO COUNTY WATER AGENCY
MANAGEMENTS DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020

FINANCIAL ANALYSIS OF AGENCY FUNDS

The following Table A-4 summarizes the changes in fund balances for the governmental funds:

**TABLE A-4
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**

	Solano Project	State Water Project	Ulatis Flood Control	Green Valley Flood Control	Total
REVENUES					
Property taxes	10,217,141	14,894,908	1,474,494	166,436	26,752,979
Charges for services	430,702	2,355,774	-	-	2,786,476
Investment earnings	360,482	398,800	134,084	4,032	897,398
Grant revenues	559,736	399,346	-	-	959,082
Other income	99,599	17,322	7,393	-	124,314
Total Revenues	11,667,660	18,066,150	1,615,971	170,468	31,520,249
EXPENDITURES					
Water purchase	168,133	12,117,028	-	-	12,285,161
Operations and maintenance	4,669,256	1,033,254	675,595	52,973	6,431,078
Administration and general	3,947,860	1,326,019	128,052	57,394	5,459,325
Conservation and flood control	737,196	348,695	-	-	1,085,891
Engineering	1,593,625	65,914	-	-	1,659,539
Capital outlay	389,271	9,908	383,236	-	782,415
Total Expenditures	11,505,341	14,900,818	1,186,883	110,367	27,703,409
Net Change in Fund Balance	162,319	3,165,332	429,088	60,101	3,816,840
Fund balance, beginning	20,866,264	20,792,243	7,214,592	217,199	49,090,298
Fund balance, ending	21,028,583	23,957,575	7,643,680	277,300	52,907,138

Solano Project - As of June 30, 2020, the Solano Project reported an ending fund balance of \$21,028,583 an increase of \$162,319 from 2019. Expenditures were under budget mainly due to LPCCC Grants and service projects either being completed, expired, or not happening. Rehab & Betterment projects were also delayed, the HCP Conservation easement with PG&E was delayed, and the Office expansion was also delayed.

State Water Project -As of June 30, 2020, the State Water Project reported ending fund balance of \$23,957,575, an increase from 2019 of \$3,165,332. This increase in fund balance is due primarily to delayed implementation of North Bay Aqueduct projects and studies, delay of Office Expansion, and higher than anticipated property tax revenues.

Ulatis Flood Control Zone 1 - As of June 30, 2020 the Ulatis Flood Control reported an ending fund balance of \$7,643,680, an increase of \$429,088 from 2019. Actual property tax revenues exceeded planned expenditures. This fluctuates every year depending on weather and timing.

Green Valley Flood Control Zone 2 - As of June 30, 2020, the Green Valley Flood Control reported an ending fund balance of \$277,300, an increase of \$60,101 from 2019 due to actual property tax revenues higher than expected, decreased operations and maintenance costs. This fluctuates every year depending on weather and timing.

SOLANO COUNTY WATER AGENCY
MANAGEMENTS DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

During 2003, the Agency developed a Capital Project Funding Plan that forecasts capital project needs over a five- year horizon. There are a few major projects that have uncertainties regarding if and when they will be funded and at what level. The Capital Project Funding Plan, portions of which are scheduled for revision in 2020-2021 fiscal year, is helpful in budgeting capital projects.

Water rates charged by the Agency to cities, districts, and agencies are fixed by contract and do not change in relationship to the Agency's expenditures or revenues. Capital costs for the Solano Project have been paid off; therefore, Solano County Water Agency does not make payments to the United States Bureau of Reclamation for Solano Project water and, therefore, does not charge for Solano Project water supply for most of its contracting agencies.

During this current fiscal year, we have experienced the COVID-19 pandemic, which has crossed into the new fiscal year of 2020-2021. The pandemic hit during the budget process, however, due to the unknown nature, the Agency did not modify the fiscal year 2020-2021 budget. During August of 2020, Solano County has suffered from a terrible fire season. the Agency has been doing emergency work to mitigate possible damage during the upcoming rainy season.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the finances for the Solano County Water Agency. Questions concerning any information provided in this report or requests for additional information should be addressed to the General Manager, 810 Vaca Valley Parkway, Suite 203, Vacaville, CA 95688.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Solano County Water Agency

Statement of Net Position

June 30, 2020

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 54,140,602
Accounts receivable	632,403
Interest receivable	29,523
Prepays and inventories	62,378
Net OPEB asset	170,895
Capital assets:	
Nondepreciable	7,099,951
Depreciable	9,984,108
Less accumulated depreciation	<u>(4,225,062)</u>
Total capital assets, net	<u>12,858,997</u>
Total assets	<u>67,894,798</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to the net pension liability	1,477,489
Deferred outflows of resources related to the net OPEB asset	<u>155,386</u>
Total deferred outflows of resources	<u>1,632,875</u>
LIABILITIES	
Accounts payable	1,386,599
Accrued payroll	31,630
Deposits	72,437
Unearned revenues	467,102
Compensated absences:	
Due within one year	97,640
Due in more than one year	231,013
Net pension liability:	
Due in more than one year	<u>631,837</u>
Total liabilities	<u>2,918,258</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to the net pension liability	384,575
Deferred inflows of resources related to the net OPEB asset	<u>275,885</u>
Total deferred inflows of resources	<u>660,460</u>
NET POSITION	
Net investment in capital assets	12,858,997
Restricted for:	
State water project	23,957,575
Ulatis flood control	7,643,680
Green vally flood control	277,300
Unrestricted	<u>21,211,403</u>
Total net position	<u>\$ 65,948,955</u>

See accompanying Notes to Basic Financial Statements

Solano County Water Agency
Statement of Activities
For the year ended June 30, 2020

Functions/Programs	Expenses	Program Revenues			Total	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
Primary government:						
Governmental activities:						
Solano Project	\$ 11,114,866	\$ 430,702	\$ 559,736	\$ -	\$ 990,438	\$ (10,124,428)
State Water Project	14,849,962	2,355,774	399,346	-	2,755,120	(12,094,842)
Ulatis Project	922,970	-	-	-	-	(922,970)
Green Valley Flood Control	106,279	-	-	-	-	(106,279)
Total primary government	\$ 26,994,077	\$ 2,786,476	\$ 959,082	\$ -	\$ 3,745,558	(23,248,519)
General Revenues:						
						26,752,979
						897,398
						124,314
						<u>27,774,691</u>
						4,526,172
						<u>61,422,783</u>
						<u>\$ 65,948,955</u>

**FUND
FINANCIAL STATEMENTS**

Solano County Water Agency
Balance Sheet
Governmental Funds
June 30, 2020

	Major Special Revenue Funds				Total Governmental Funds
	General Fund Solano Project	State Water Project	Ulatis Flood Control	Green Valley Flood Control	
ASSETS					
Cash and cash equivalents	\$ 21,378,054	\$ 24,628,867	\$ 7,841,443	\$ 292,238	\$ 54,140,602
Accounts receivable	564,514	67,889	-	-	632,403
Interest receivable	11,852	13,125	4,413	133	29,523
Prepays and inventories	62,378	-	-	-	62,378
Total assets	\$ 22,016,798	\$ 24,709,881	\$ 7,845,856	\$ 292,371	\$ 54,864,906
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 847,546	\$ 321,806	\$ 202,176	\$ 15,071	\$ 1,386,599
Accrued payroll	31,630	-	-	-	31,630
Deposits	72,437	-	-	-	72,437
Unearned revenue	36,602	430,500	-	-	467,102
Total liabilities	988,215	752,306	202,176	15,071	1,957,768
Fund Balances:					
Nonspendable	62,378	-	-	-	62,378
Restricted	-	23,957,575	7,643,680	277,300	31,878,555
Assigned	3,250,000	-	-	-	3,250,000
Unassigned	17,716,205	-	-	-	17,716,205
Total fund balances	21,028,583	23,957,575	7,643,680	277,300	52,907,138
Total liabilities and fund balances	\$ 22,016,798	\$ 24,709,881	\$ 7,845,856	\$ 292,371	\$ 54,864,906

See accompanying Notes to Basic Financial Statements

Solano County Water Agency
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Position
June 30, 2020

Total Fund Balances of Governmental Funds \$ 52,907,138

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities were not current financial resources. Therefore, they were not reported in the Governmental Funds Balance Sheet. The capital assets were adjusted as follows:

Nondepreciable	7,099,951
Depreciable, net of accumulated depreciation	5,759,046

In the Government-Wide Financial Statements, deferred employer contributions for pension and OPEB, certain differences between actuarial estimates and actual results, and other adjustments resulting from changes in assumptions and benefits are deferred in the current year:

Deferred outflows of resources related to pension	1,477,489
Deferred outflows of resources related to OPEB	155,386
Deferred inflows of resources related to pension	(384,575)
Deferred inflows of resources related to OPEB	(275,885)

Long-term (liabilities)/assets were not due and payable in the current period, and other long-term assets were not current financial resources. Therefore, they were not reported in the Governmental Funds Balance Sheet:

Net OPEB asset	170,895
Compensated absences - due within one year	(97,640)
Compensated absences - due in more than one year	(231,013)
Net pension liability	(631,837)

Net Position of Governmental Activities \$ 65,948,955

Solano County Water Agency
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2020

	Major Special Revenue Funds				Total Governmental Funds
	General Fund Solano Project	State Water Project	Ulatis Flood Control	Green Valley Flood Control	
REVENUES:					
Property taxes	\$ 10,217,141	\$ 14,894,908	\$ 1,474,494	\$ 166,436	\$ 26,752,979
Charges for services	430,702	2,355,774	-	-	2,786,476
Investment earnings	360,482	398,800	134,084	4,032	897,398
Intergovernmental	559,736	399,346	-	-	959,082
Other revenues	99,599	17,322	7,393	-	124,314
Total revenues	11,667,660	18,066,150	1,615,971	170,468	31,520,249
EXPENDITURES:					
Current:					
Water purchases	168,133	12,117,028	-	-	12,285,161
Operations and maintenance	4,669,256	1,033,254	675,595	52,973	6,431,078
Administration and general	3,947,860	1,326,019	128,052	57,394	5,459,325
Conservation and flood control	737,196	348,695	-	-	1,085,891
Engineering	1,593,625	65,914	-	-	1,659,539
Capital outlay	389,271	9,908	383,236	-	782,415
Total expenditures	11,505,341	14,900,818	1,186,883	110,367	27,703,409
Net change in fund balances	162,319	3,165,332	429,088	60,101	3,816,840
FUND BALANCES:					
Beginning of year	20,866,264	20,792,243	7,214,592	217,199	49,090,298
End of year	\$ 21,028,583	\$ 23,957,575	\$ 7,643,680	\$ 277,300	\$ 52,907,138

See accompanying Notes to Basic Financial Statements

Solano County Water Agency

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Change in Fund Balances to the Government-Wide Statement of Activities For the year ended June 30, 2020

Net Change in Fund Balances - Total Governmental Funds	\$ 3,816,840
Amounts reported for governmental activities in the Statement of Activities were different because:	
Governmental funds reported asset acquisitions as expenditures. However, in the Government-Wide Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This was the amount of capital assets recorded in the current year.	782,415
Depreciation expense on capital assets was reported in the Government-Wide Statement of Activities, but did not require the use of current financial resources. Therefore, depreciation expense was not reported as an expenditure in the governmental funds.	(533,265)
Accrued compensated absences were reported as an expenditure in the governmental funds, but the accrual increased compensated absences payable in the Government-Wide Statement of Net Position.	(66,196)
OPEB benefits reported in the Government-Wide Statement of Activities are not current financial resources and therefore is not reported in the governmental funds.	(123,208)
Current year pension and OPEB contributions are recorded as expenditures in the governmental funds, however these amounts are reported as deferred outflows of resources in the Government-Wide Statement of Net Position.	
Deferred outflows related to current year pension contributions	897,112
Deferred outflows related to current year OPEB contributions	144,037
Pension expense reported in the Government-Wide Statement of Activities does not require the use of current financial resources, and therefore is not reported as an expenditure in the governmental funds.	(391,563)
Change in Net Position of Governmental Activities	<u>\$ 4,526,172</u>

NOTES TO BASIC FINANCIAL STATEMENTS

Solano County Water Agency
Notes to Basic Financial Statements
For the year ended June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Solano County Water Agency (Agency) have been prepared in conformity with accounting principles generally accepted in the United States of America. The Government Accounting Standards Board (GASB) is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States of America. The more significant of the Agency's accounting policies are described below:

A. *Financial Reporting Entity*

The Solano County Water Agency (the Agency) was created in 1951 by an act of the California Legislature as the "Solano County Flood Control and Water Conservation District." In 1988, the legislative act was changed to modify the governing board and the name was changed to Solano County Water Agency. The governing board is made up of five members of the Solano County Board of Supervisors, the mayors from the seven cities in the county and three representatives from three agricultural irrigation districts. The Agency provides wholesale water services to cities, districts, and state agencies and lead efforts to protect rights to existing sources of water and participates in efforts to secure new sources of projects and is involved in countywide flood control planning. As required by accounting principles generally accepted in the United States of America, these financial statements present the Agency alone as the Agency has no component units, related organizations, or jointly governed organizations.

B. *Basis of Accounting and Measurement Focus*

The accounts of the Agency are organized on the basis of funds, each of which is considered a separate accounting entity with its own self-balancing set of accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance or net position, revenues, and expenditures or expenses. These funds are established for the purpose of carrying out specific activities or certain objectives in accordance with specific regulations, restrictions, or limitations. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-Wide Financial Statements

The Agency's government-wide financial statements include a Statement of Net Position and a Statement of Activities. These financial statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all the Agency's assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which liabilities are incurred.

Certain types of transactions reported as program revenues for the Agency are reported in three categories:

- Charges for services
- Operating grants and contributions
- Capital grants and contributions

Solano County Water Agency
Notes to Basic Financial Statements
For the year ended June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Certain eliminations have been made in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Position. In the Statement of Activities, internal fund transactions have been eliminated. There were no interfund activities requiring elimination for the year ended June 30, 2020.

The Agency applies all GASB pronouncements and interpretations currently in effect.

Fund Financial Statements

Governmental funds are accounted for on a spending or “current financial resources” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under modified accrual basis accounting, revenues are recognized in the accounting period in which they become both “measurable and available” to finance expenditures of the current period.

The Agency’s funds, all of which are considered to be major governmental funds, are reported as separate columns in the fund financial statements. The funds of the Agency are described below:

General Fund:

Solano Project – This fund accounts for the Agency's water supply contract with the U.S. Bureau of Reclamation for the water supply provided by contract cities, districts, and State agencies. Property tax revenues are used to pay for operations, maintenance, rehabilitation, and betterment. Operations and maintenance are performed by contract with the Solano Irrigation District. Included in this fund are costs associated with a water master to monitor water use in the Upper Putah Creek Watershed and development of a Habitat Conservation Plan. Other functions include the flood control program and water conservation program.

Special Revenue Funds:

State Water Project - This fund accounts for the Agency's water supply contract with the California Department of Water Resources for the repayment of construction, operations, and maintenance costs of the North Bay Aqueduct, and the contracts with member agencies for the purchase of this water.

Ulati Flood Control - This fund accounts for the costs of operating and maintaining the Ulati Flood Control Facilities, which were built by the Federal Soil Conservation Service. The Agency contracts with the Solano County Resource Management Department for the maintenance of this project.

Green Valley Flood Control - This fund accounts for the costs of operating and maintaining the Green Valley Flood Control Facilities, which were built by the U.S. Army Corps of Engineers. The Agency contracts with the Solano County Resource Management Department for the maintenance of this project.

Solano County Water Agency
Notes to Basic Financial Statements
For the year ended June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Governmental Fund Financial Statements, Continued

Revenues are recorded when received in cash, except that revenues subject to accrual (generally those received within 90 days after year-end) are recognized when due. The District chose 90 days because grant invoices typically take long to process and receive payments. The primary revenue sources that have been treated as susceptible to accrual by the Agency include taxes, intergovernmental revenues, interest and charges for services.

The Reconciliation of the Governmental Fund Financial Statements to the Government-Wide Financial Statements is provided.

C. Cash, Cash Equivalents and Investments

Cash and cash equivalents are defined as demand deposit account balances, pooled investments in the State of California Local Agency Investment Fund (LAIF), and money market funds with California Asset Management Program (CAMP).

The Agency categorizes fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Agency does not have any investments that are measured using Level 3 inputs.

D. Accounts Receivable

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Receivables are recorded in the financial statements net of any allowance for doubtful accounts if applicable, and estimated refunds due. No allowance for losses has been reflected at June 30, 2020 as management believes all receivables to be collectible. Major receivable balances for the governmental activities consist of grants. Long-term loans in governmental funds are treated as expenditures in the year advanced and as revenues in the year repayment is measurable and available. Loans receivable are recorded in the fund statements, but are also recorded as deferred inflows of resources to indicate they do not represent current financial resources.

E. Prepaid Items and Inventories

Inventories are stated at cost (average cost per unit) for governmental funds. The cost is recorded as an expenditure/expense in the funds at the time individual inventory items are consumed, rather than purchased. Inventories of the governmental funds are offset by nonspendable fund balance to indicate they do not constitute resources available for future appropriation.

Prepaid items are also recognized under the consumption method. Payments to vendors that reflect costs applicable to future accounting periods are recorded as prepaid items in both government-wide and fund financial statements.

Solano County Water Agency
Notes to Basic Financial Statements
For the year ended June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

F. Capital Assets

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Provision is made for depreciation using the straight-line method over the estimated useful lives of the assets, which range from three to forty years. It is the Agency's policy to capitalize all capital assets with an initial cost of more than \$5,000. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Costs of assets sold or retired (and the related amounts of accumulated depreciation) are eliminated from the accounts in the year of sale or retirement and the resulting gain or loss is included in the statement of activities.

Depreciation is provided using the straight-line method which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated. The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The Agency has assigned the useful lives listed below to capital assets:

Type	Useful Life
Buildings and improvements	40 years
Land improvements	25 - 30 years
Water monitoring equipment	5 - 10 years
Machinery and field equipment	5 - 15 years
Furniture, fixtures, and office equipment	3 - 10 years

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

G. Unearned Revenues

Unearned revenues arise when resources are received by the Agency before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when the Agency has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

H. Compensated Absences

The Agency's policy allows employees to accumulate earned but unused vacation which will be paid to employees upon separation of service from the Agency. The policy also allows employees to receive payment for one-half of their accumulated sick leave upon retirement. Vested or accumulated vacation and sick leave are accrued in the government-wide statements as the benefits accrue to employees. However, a liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

Solano County Water Agency
Notes to Basic Financial Statements
For the year ended June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

I. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position or fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

J. Net Position and Fund Balance

Government-Wide Financial Statements

Net position is the excess of all the Agency's assets and deferred outflows of resources over all its liabilities and deferred inflows of resources, regardless of fund. Net position is divided into three categories. These categories apply only to net position, which is determined at the government-wide level, and are described below:

Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position - Consists of net position with constraints place on the use either by (1) external groups such as creditors, granters, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net position - Unrestricted net position represents resources derived from taxes, grants, and charges for services. These resources are used for transactions relating to the general operations of the Agency, and may be used at the discretion of the Board to meet current expenses for any purpose.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the Agency's policy is to first apply the expense toward restricted resources, and then towards unrestricted resources.

Solano County Water Agency
Notes to Basic Financial Statements
For the year ended June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

J. Net Position and Fund Balance, Continued

Fund Financial Statements

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Agency is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable - Amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted - Amounts that are restricted for specific purposes when constraints placed on the use of resources are either (a) externally imposed by creditors, granters, contributors, laws, or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed - Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority.

Assigned - Amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned - Amounts representing the residual classification for the general fund and residual negative fund balance of special revenue and capital project funds.

Detail about the Agency's fund balance classifications at June 30, 2020 is described in Note 6.

K. Property Taxes

Property taxes are assessed and collected by Solano County (the County). The County remits the property taxes to the Agency when the taxes are collected and the allocation has been determined. Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1, are payable in two installments, and become delinquent if not paid by December 10 or April 10. The Agency has elected to receive the property taxes from the County under the Teeter Program. Under this program, the Agency receives 100% of the levied property taxes in periodic payments with the County assuming responsibility for delinquencies.

L. Pension

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

Solano County Water Agency
Notes to Basic Financial Statements
For the year ended June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

M. Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB (asset) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Agency's plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. Generally accepted accounting principles required that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

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

N. Use of Estimates

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

2. CASH AND INVESTMENTS

A. Summary of Cash and Investments

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

Deposits with financial institutions	\$ 1,128,001
Petty cash	138
Total cash on hand and deposits	1,128,139
Local Agency Investment Fund (LAIF)	8,090,822
California Asset Management Program (CAMP)	39,310,143
Certificates of deposit	5,581,482
Money market funds	30,016
Total investments	53,012,463
Total Cash and Investments	\$ 54,140,602

Solano County Water Agency
Notes to Basic Financial Statements
For the year ended June 30, 2020

2. CASH AND INVESTMENTS, Continued

B. Deposits

The carrying amount of the Agency's cash deposit was \$1,128,001 as of June 30, 2020. Bank balances before reconciling items were a positive amount of \$1,556,459 at June 30, 2020. The Agency's cash deposit was fully insured up to \$250,000 by the Federal Deposit Insurance Commission. The remaining amount was collateralized with securities held by the pledging financial institutions.

The California Government Code (Code) Section 53652 requires California banks and savings and loan associations to secure the Agency's cash deposits by pledging securities as collateral. The Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor.

Fair value of pledged securities must equal at least 110% of the Agency's cash deposits. California law also allows institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150% of the Agency's total cash deposits.

The Agency follows the practice of pooling cash and investments of all funds, except for funds required to be held by fiscal agents under the provisions of bond indentures. Interest income earned on pooled cash and investments is allocated to the various funds based on the period-end cash and investment balances. Interest income from cash and investments with fiscal agents is credited directly to the related fund.

C. Investments Authorized by the Code and the Agency's Investment Policy

California statutes authorize agencies to invest in idle or surplus funds in a variety of credit instruments as provided for in the California Government Code, Section 53600, Chapter 4 - Financial Affairs. The Agency is authorized, by its Board of Directors, to invest its cash in the State of California's Local Agency Investment Fund (LAIF), California Asset Management Program (CAMP), the Solano County Investment Pool, or Federal Depository Insurance Corporation (FDIC) insured accounts in a bank or savings and loan association. The Agency's investment policy does not contain any specific provisions intended to limit the Agency's exposure to interest rate risk, credit risk, concentration of credit risk, or custodial credit risk.

The Agency's portfolio value fluctuates in an inverse relationship to any change in interest rate. Accordingly, if interest rates rise, the portfolio value will decline. If interest rates fall, the portfolio value will rise. The portfolio for year-end reporting purposes is treated as if it were all sold. Therefore, fund balance must reflect the portfolio's change in value. These portfolio value changes are unrealized unless sold. Generally, the Agency's practice is to buy and hold investments until maturity dates. Consequently, the Agency's investments are carried at fair value.

Solano County Water Agency
Notes to Basic Financial Statements
For the year ended June 30, 2020

2. CASH AND INVESTMENTS, Continued

C. Investments Authorized by the Code and the Agency's Investment Policy, Continued

The Agency is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by Code Section 16429 under the oversight of the Treasurer of the State of California. The Agency's investments with LAIF at June 30, 2020 include a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments included the following:

Structured Notes are debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or have embedded forwards or options.

Asset-Backed Securities, the bulk of which are mortgage backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as collateralized mortgage obligations) or credit card receivables.

At June 30, 2020, the Agency had \$8,090,822 invested in LAIF, which had invested 3.37% of the pool investment funds in Structured Notes and Asset-Backed Securities as compared to 1.77% in the previous year. The LAIF fair value factor of 1.004912795 was used to calculate the fair value of the investments in LAIF.

The Agency is a participant in the California Asset Management Program (CAMP). CAMP is an investment pool offered by the California Asset Management Trust (the Trust). The Trust is a joint powers authority and public agency created by the Declaration of Trust and established under the provisions of the California Joint Exercise of Powers Act (California Government Code Section 6500 et Seq., or the "Act") for the purpose of exercising the common power of CAMP participants to invest certain proceeds of debt issues and surplus funds. CAMP investments are limited to investments permitted by subdivisions (a) to (n), inclusive, of Section 53601 of the California Government Code. The Agency reports its investments in CAMP at the amortized cost provided by CAMP, which is the same as the value of the pool share in accordance with GASB 79 requirements. At June 30, 2020 the fair value was approximate to the Agency's cost. At June 30, 2020, the Agency investment in CAMP was \$39,310,143.

The Agency, as a CAMP shareholder, may withdraw all or any portion of the funds in its CAMP account at any time by redeeming shares. The CAMP Declaration of Trust permits the CAMP trustee to suspend the right of withdrawal from CAMP or to postpone the date of payment of redemption proceeds if the New York Stock Exchange is closed other than for customary weekend and holiday closings, if trading on the New York Stock Exchange is restricted, or if, in the opinion of the CAMP trustees, an emergency exists such that disposal of the CAMP pool securities or determination of its net asset value is not reasonably practicable. If the right of withdrawal is suspended, the Agency may either withdraw its request for that withdrawal or receive payment based on the net asset value of the CAMP pool next determined after termination of the suspension of the right of withdrawal.

D. Risk Disclosures

Interest Rate Risk: Interest rate risk is the market value fluctuation due to overall changes in the interest rates. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Agency had no investments that were highly sensitive to interest rate fluctuations at June 30, 2020.

Solano County Water Agency
Notes to Basic Financial Statements
For the year ended June 30, 2020

2. CASH AND INVESTMENTS, Continued

D. Risk Disclosures, Continued

Information held by the Agency grouped by maturity date at June 30, 2020 are shown below:

Investment Type	Total	Remaining Maturity	
		1 Year or Less	1-5 Years
Local Agency Investment Fund (LAIF)	\$ 8,090,822	\$ 8,090,822	\$ -
California Asset Management Program (CAMP)	39,310,143	39,310,143	-
Certificates of deposit	5,581,482	1,751,952	3,829,530
Money market funds	30,016	30,016	-
Total Investments	\$ 53,012,463	\$ 49,182,933	\$ 3,829,530

Credit Risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. LAIF and CAMP do not have a rating provided by a nationally recognized rating organization. The Agency's certificates of deposit and money market funds are not rated.

Concentration Risk: The investment policy of the Agency contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code.

Custodial Credit Risk: Custodial credit risk for deposits is the risk that, in the event of a failure of the 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 custodial credit risk for investments is the risk that, in the event of the failure of the counterparty 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.

E. Investment Valuation

Investments (except for money and market accounts, time deposits, and commercial paper) are measured at fair value on a recurring basis. *Recurring* fair value measurements are those that GASB Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. Investment fair value measurements at June 30, 2020 are described below.

Investment Type	Total	Fair Value Measurement Using		
		Level 1	Level 2	Level 3
Certificates of deposits	\$ 5,581,482	\$ -	\$ 5,581,482	\$ -
Total investments subject to fair value	5,581,482	\$ -	\$ 5,581,482	\$ -

Investments not subject to levelling disclosure:

Money market funds	30,016
Local Agency Investment Fund (LAIF)	8,090,822
California Asset Management Program (CAMP)	39,310,143
Total Investments	\$58,593,945

Solano County Water Agency
Notes to Basic Financial Statements
For the year ended June 30, 2020

3. ACCOUNTS AND GRANTS RECEIVABLE

The Agency's receivables at June 30, 2020 consisted of the following:

Water sales receivable	\$ 383,223
Retention receivable	25,647
Grants receivable	<u>223,533</u>
Total receivables	<u>\$ 632,403</u>

4. CAPITAL ASSETS

The Agency's capital asset activity for the year ended June 30, 2020 as follows:

	Balance at July 1, 2019	Additions	Retirements	Transfers	Balance at June 30, 2020
Governmental activities:					
Capital assets not being depreciated					
Land	\$ 7,063,469	\$ -	\$ -	\$ -	\$ 7,063,469
Construction-in-progress	7,302	36,482	-	(7,302)	36,482
Total capital assets not being depreciated	<u>7,070,771</u>	<u>36,482</u>	<u>-</u>	<u>(7,302)</u>	<u>7,099,951</u>
Capital assets being depreciated					
Land improvements	2,535,494	-	-	-	2,535,494
Buildings	1,700,109	-	-	-	1,700,109
Water monitoring equipment	2,300,466	9,908	-	-	2,310,374
Machinery and field equipment	2,613,440	493,555	(33,000)	-	3,073,995
Furniture, fixtures, and office equipment	114,364	242,470	-	7,302	364,136
Total capital assets being depreciated	<u>9,263,873</u>	<u>745,933</u>	<u>(33,000)</u>	<u>7,302</u>	<u>9,984,108</u>
Less accumulated depreciation	<u>(3,724,797)</u>	<u>(533,265)</u>	<u>33,000</u>	<u>-</u>	<u>(4,225,062)</u>
Total capital assets, net	<u>\$12,609,847</u>	<u>\$ 249,150</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$12,858,997</u>

Depreciation expense for the year ended June 30, 2020 was charged to functions as follows:

Governmental activities:	
Solano Project	\$ 391,884
State Water Project	13,309
Ulatis Flood Control Project	<u>128,072</u>
Total depreciation expense	<u>\$ 533,265</u>

Solano County Water Agency
Notes to Basic Financial Statements
For the year ended June 30, 2020

5. COMPENSATED ABSENCES

The following is a summary of the changes in the Agency's compensated absences for the year ended June 30, 2020:

	Balance at July 1, 2019	Additions	Reductions	Balance at June 30, 2020	Current Portion
Governmental activities:					
Compensated absences	\$ 262,457	\$ 192,268	\$ (126,072)	\$ 328,653	\$ 97,640

6. FUND BALANCE

GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent.

The Board of Directors, as the Agency's highest level of decision-making authority, may commit fund balance for specific purposes pursuant to constraints imposed by formal action. Committing fund balance is accomplished by approval of an action item by the Board of Directors. These committed amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use through the same type of formal action taken to establish the commitment.

Assigned fund balances are amounts that are constrained by the Agency's intent to be used for specific purposes, but are neither restricted nor committed. The Agency has delegated the authority to assign fund balance to the General Manager.

The accounting policies of the Agency consider restricted fund balance to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Similarly, when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used, the Agency considers committed amounts to be reduced first, followed by assigned amounts, and unassigned amounts.

As of June 30, 2020, fund balances were comprised of the following:

	Solano Project	State Water Project	Ulatis Flood Control	Green Valley Flood Control	Total Governmental Funds
Nonspendable:					
Prepays	\$ 39,294	\$ -	\$ -	\$ -	\$ 39,294
Inventory	23,084	-	-	-	23,084
Total nonspendable	62,378	-	-	-	62,378
Restricted for:					
Special projects	-	23,957,575	7,643,680	277,300	31,878,555
Assigned:					
Capital projects	3,250,000	-	-	-	3,250,000
Unassigned	17,716,205	-	-	-	17,716,205
Total fund balance	\$ 21,028,583	\$ 23,957,575	\$ 7,643,680	\$ 277,300	\$ 52,907,138

Solano County Water Agency
Notes to Basic Financial Statements
For the year ended June 30, 2020

7. ADMINISTRATIVE AND GENERAL EXPENDITURES

The following is a summary of administration and general expenditures of the fund financial statements by natural classification for the year ended June 30, 2020:

Salaries and benefits	\$ 3,990,229
Professional services	667,638
Dues and memberships	157,995
Public education	182,484
Property tax administration fee	116,085
Governmental advocacy	106,478
Office equipment	90,088
Office expense	79,168
Telephone	39,145
Insurance	62,825
Watermaster services	23,467
Fuel	26,032
Board expense	18,891
Talent decision monitoring	12,757
Miscellaneous	95,060
Overhead reallocation	<u>(209,017)</u>
Total	<u><u>\$ 5,459,325</u></u>

8. DEFINED BENEFIT PENSION PLAN

A. Plan Description

All qualified permanent full and part-time Agency employees working at least 1,000 hours per year are eligible to participate in the Agency's cost-sharing multiple-employer defined benefit pension plan (Plan) administered by the California Public Employees' Retirement System (CalPERS). The Plan consists of individual rate plans (benefit tiers) within a safety risk pool (police and fire) and a miscellaneous risk pool (all other). 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 GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The Agency sponsors two rate plans (both miscellaneous). Benefit provisions under the Plan are established by State statute and Agency resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

B. 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. Active members belonging to the Classic Plan are required to contribute 7% of their annual covered salary. Active members belonging to the PEPRA plan are required to contribute 6.25% of their annual covered salary. The Agency makes the contributions required of the Classic employees on their behalf and for their account.

Solano County Water Agency
Notes to Basic Financial Statements
For the year ended June 30, 2020

8. DEFINED BENEFIT PENSION PLAN, Continued

B. Benefits Provided, Continued

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

	<u>Miscellaneous - Classic</u>	<u>Miscellaneous - PEPRA</u>
Hire Date	Prior to January 1, 2013	On or after January 1, 2013
Benefit vesting schedule	5 years service	5 years service
Benefit payment	Monthly for life	Monthly for life
Retirement age	50-55	52-67
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	1.0% to 2.5%
Required employee contribution rates	7.000%	6.250%
Required employer contribution rates	10.221%	6.985%
Required UAL payment	\$96,447	\$1,261

C. Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Agency is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

The Agency's required contributions to the Plan for the year ended June 30, 2020 were \$897,112.

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

As of June 30, 2020, the Agency reported a net pension liability of \$631,837 for its proportionate share of the net pension liability of the Plan.

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

The Agency's proportionate share of the net pension liability of the Plan as of June 30, 2018 and 2019 was as follows:

Proportion - June 30, 2018	0.01191%
Proportion - June 30, 2019	0.00617%
Change - Increase (Decrease)	<u>0.00574%</u>

Solano County Water Agency
Notes to Basic Financial Statements
For the year ended June 30, 2020

8. DEFINED BENEFIT PENSION PLAN, Continued

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

For the year ended June 30, 2020, the Agency recognized pension expense of \$391,563 which included employer paid member contributions for the Classic Plan. At June 30, 2020, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Pension contributions subsequent to measurement date	\$ 897,112	\$ 3,400
Changes in assumptions	30,129	10,680
Differences between expected and actual experience	43,884	-
Changes in employer's proportion	58,306	358,496
Differences between the employer's contribution and the employer's proportionate share of contributions	448,058	953
Net differences between projected and actual earnings on plan investments	-	11,046
Total	<u>\$ 1,477,489</u>	<u>\$ 384,575</u>

The amount of \$897,112 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ending June 30:	Deferred Outflows/(Inflows) of Resources
<u> </u>	<u> </u>
2021	\$ 118,940
2022	43,907
2023	30,721
2024	2,234
Thereafter	-

Solano County Water Agency
Notes to Basic Financial Statements
For the year ended June 30, 2020

8. DEFINED BENEFIT PENSION PLAN, Continued

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

Actuarial Assumptions – The total pension liabilities in the June 30, 2018 valuations were determined using the following actuarial assumptions:

Valuation Date	Jun 30, 2018
Measurement Date	Jun 30, 2019
Actuarial Cost Method	Entry-Age Normal Cost Method
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.15%
Mortality (1)	Derived using CalPERS membership data for all funds
Post Retirement Benefit Increase	Contract COLA up to 2.50% until purchasing power protection allowance floor on power applies, 2.50% thereafter

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

Discount Rate – The discount rate used to measure the total pension liability was 7.15% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15% will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

Solano County Water Agency
Notes to Basic Financial Statements
For the year ended June 30, 2020

8. DEFINED BENEFIT PENSION PLAN, Continued

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

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

Asset Class ⁽¹⁾	Asset Class 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%)

(1) In the system's CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-Term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

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

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

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

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

	Discount Rate -1% 6.15%	Current Discount Rate 7.15%	Discount Rate +1% 8.15%
Net Pension (Asset) Liability	\$ 1,559,013	\$ 631,837	\$ (133,480)

F. Plan Fiduciary Net Position

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

G. Payable to the Pension Plan

At June 30, 2020 the Agency reported a payable of \$0 for outstanding amount of contributions to the pension plan.

Solano County Water Agency
Notes to Basic Financial Statements
For the year ended June 30, 2020

9. OTHER POST EMPLOYMENT BENEFITS (OPEB)

The Agency provides postemployment healthcare benefits for retired employees in accordance with their published employee handbook.

A. Description of the Plan

The Solano County Water Agency Retirement Health Plan (the Health Plan) provides healthcare benefits for retired employees in accordance with the Agency's published employee handbook. The Health Plan is part of the California Employers' Retiree Benefit Trust (CERBT) plan, an agent multiple-employer plan administered by the California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for participating entities within the State of California. The Agency provides certain medical insurance coverage to all employees who retire from the Agency and meet the age and service requirement for eligibility. The Agency pays 100% of the eligible retirees' medical plan premiums up to \$12,500 per year. There are no separate financial statements issued for the Health Plan.

B. Employees Covered

As of the June 30, 2019 measurement date, the following current and former employees were covered by the benefit terms under the Health Plan:

	Number of Covered Participants
Inactives currently receiving benefits	1
Inactive employees entitled to but not yet receiving benefits	-
Active employees	21
Total	22

C. Contributions

The contribution requirements of plan members and the Agency are based on a pay-as-you-go basis. For the year ended June 30, 2020, the Agency paid \$12,348 on behalf of its retirees, administrative expenses of \$33, and the estimated implied subsidy was \$9,309. In addition, in fiscal year 2019, the Agency's Board approved to participate in CalPERS' California Employer's Retiree Benefit Trust (CERBT). Contributions made to the CERBT trust for the year ended June 30, 2020 totaled \$122,347. Total payments for the year ended June 30, 2020 were \$144,037.

Solano County Water Agency
Notes to Basic Financial Statements
For the year ended June 30, 2020

9. OTHER POST EMPLOYMENT BENEFITS (OPEB), Continued

D. Net OPEB Asset

The Agency's net OPEB asset was measured as of June 30, 2019 and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation dated June 30, 2018 to determine the June 30, 2019 total OPEB liability, based on the following actuarial assumptions:

Contribution Policy	Agency contributes full ADC
Discount Rate	6.25% at June 30, 2019 6.25% at June 30, 2018
Expected Long-Term Rate of Return on Investments	Expected Agency contributions projected to keep sufficient plan assets to pay all benefits from trust.
General Inflation	2.75% per annum
Mortality, Retirement, Disability, Termination	CalPERS 1997-2015 experience study
Mortality Improvement	Post-retirement mortality projected with Mortality Improvement Society Actuaries Scale MP-2017
Salary Increases	Aggregate - 3.00% Merit-CalPERS 1997-2015 experience study
Medical Trend	Non-Medicare - 7.5% for 2019, decreasing to an ultimate rate of 4.0% in 2076 Medicare - 6.5% for 2019, decreasing to an ultimate rate of 4.0% in 2076
PEMHCA Minimum Increases	4.25% annually
Healthcare Participation	100%
Cap Increases	No increases until 2019; 3% annually commencing in 2019

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

Asset Class Component	Target Allocation * CERBT - Strategy 2	Expected Real Rate of Return
Global Equity	40.00%	4.82%
Fixed Income	43.00%	1.47%
TIPS	5.00%	1.29%
Commodities	4.00%	0.84%
REITs	8.00%	3.76%
Assume Long-term Rate of Inflation		2.75%
Expected Long-term Net Rate of Return, Round		6.75%

* Policy target effective October 1, 2018

Solano County Water Agency
Notes to Basic Financial Statements
For the year ended June 30, 2020

9. OTHER POST EMPLOYMENT BENEFITS (OPEB), Continued

E. Changes in Assumptions

For the measurement period ended June 30, 2019, there were no changes in actuarial assumptions.

F. Discount Rate

The discount rate used to measure the total OPEB liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that the Agency's contributions are projected to keep sufficient plan assets to pay all benefits from the trust.

G. Changes in the Net OPEB Asset

The changes in the net OPEB asset for the Health Plan are as follows:

	Total OPEB Liability	Fiduciary Net Position	Net OPEB (Asset) Liability
Balance at June 30, 2019 (Measurement date of June 30, 2018)	\$ 1,351,488	\$ 1,507,833	\$ (156,345)
Changes recognized for the measurement period:			
Service cost	152,268	-	152,268
Interest	93,449	-	93,449
Actual versus expected experience	-	-	-
Assumption changes	-	-	-
Contributions - employer	-	147,479	(147,479)
Net investment income	-	113,156	(113,156)
Benefit payments	(17,149)	(17,149)	-
Administrative expenses	-	(368)	368
Net changes	228,568	243,118	(14,550)
Balance at June 30, 2020 (Measurement date of June 30, 2019)	\$ 1,580,056	\$ 1,750,951	\$ (170,895)

H. Sensitivity of the Net OPEB Asset to Changes in the Discount Rate

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

	Discount Rate -1% (5.25%)	Current Discount Rate (6.25%)	Discount Rate +1% (7.25%)
Net OPEB (Asset) Liability	\$ 101,888	\$ (170,895)	\$ (389,754)

Solano County Water Agency
Notes to Basic Financial Statements
For the year ended June 30, 2020

9. OTHER POST EMPLOYMENT BENEFITS (OPEB), Continued

I. Sensitivity of the Net OPEB Asset to Changes in the Health Care Cost Trend Rate

The following table presents the net OPEB asset of the Agency 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 the measurement period ended June 30, 2019:

	1% Decrease	Current Trend	1% Increase
Net OPEB (Asset) Liability	\$ (346,856)	\$ (170,895)	\$ (17,828)

J. OPEB Plan Fiduciary Net Position

CERBT issues a publicly available financial report that may be obtained from the California Public Employees' Retirement System at 400 Q Street, Sacramento, CA 95811.

K. Recognition of Deferred Outflows/Inflows of Resources

Gains and losses related to changes in the total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The recognition period differs depending on the source of the gain or loss:

Net difference between projected and actual earnings on OPEB plan investments	5.0 years
Straight line amortization over the expected average remaining service lifetime (EARSL) of all members as of the beginning of the measurement period	10.9 years

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

For the fiscal year ended June 30, 2020, the Agency recognized OPEB expense of \$123,208. As of the June 30, 2020, the Agency reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to the measurement date	\$ 144,037	\$ 244,954
Differences between expected and actual experience	-	30,931
Changes in assumptions	-	-
Net differences between projected and actual earnings on plan investments	11,349	-
Total	<u>\$ 155,386</u>	<u>\$ 275,885</u>

Solano County Water Agency
Notes to Basic Financial Statements
For the year ended June 30, 2020

9. OTHER POST EMPLOYMENT BENEFITS (OPEB), Continued

L. OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB, Continued

\$144,037 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB asset during the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as expense as follows:

Fiscal Year Ending June 30:	Deferred Outflows/(Inflows) of Resources
2021	\$ (26,041)
2022	(26,040)
2023	(26,303)
2024	(34,263)
2025	(30,999)
Thereafter	(120,890)

10. RISK MANAGEMENT

The Agency participates in the Association of California Water Agencies Joint Powers Insurance Authority (ACWA/JPIA), a public entity risk pool of water agencies in California, for general, automobile, public officials' errors and omissions, property, fidelity, workers' compensation liability, and employers' liability. ACWA/JPIA provides insurance through the pool up to a certain level, beyond which group-purchases commercial excess insurance is obtained. Loss contingency reserves established by the JPIA are funded by contributions from member agencies. The Agency pays an annual premium to the JPIA that includes its pro-rata share of excess insurance premiums, charges for pooled risk, claims adjusting and legal costs, and administrative and other costs to operate the JPIA.

The Agency's maximum coverage under the JPIA is as follows

	Pool Coverage	Commercial Coverage
General and auto liability	\$ 5,000,000	\$ 55,000,000
Public officials and omissions liability	5,000,000	55,000,000
Cyber liability	3,000,000	3,000,000
Property	100,000	500,000,000
Crime	100,000	None
Workers' compensation liability	2,000,000	Statutory

Solano County Water Agency
Notes to Basic Financial Statements
For the year ended June 30, 2020

11. CONTINGENCIES AND COMMITMENTS

The Agency periodically enters into commitments which are funded primarily through state grants. The grants are typically for various projects such as rehabilitation, betterment, and maintenance. At June 30, 2020, the Agency had no commitments on unfinished contracts.

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Agency expects such amounts, if any, to be immaterial.

The Agency has been named a real party in interest in two actions filed in 2010 against the California Department of Water Resources. The actions allege violation of the California Environmental Quality Act. No estimates of liability or conclusions have been or can be reached relative to the impact of this action; however, there can be no assurance that this matter will not adversely affect the Agency's financial position.

12. COVID-19 PANDEMIC

During December 2019, the Novel Corona Virus Disease (COVID-19) was discovered. The COVID-19 was subsequently declared a world-wide pandemic by the World Health Organization on March 11, 2020. On March 4, 2020, California State Governor Gavin Newsom proclaimed a State of Emergency as a result of the threat of the COVID-19 in the State of California which led to a mandated shelter in place order. Although there has been no direct financial impact on the Agency so far, management are continuing to monitor the financial effect it may potentially have in the coming years.

**REQUIRED
SUPPLEMENTARY INFORMATION**

Solano County Water Agency
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Solano Project
For the year ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 10,510,520	\$ 10,510,520	\$ 10,217,141	\$ (293,379)
Charges for services	410,000	410,000	430,702	20,702
Investment earnings	407,205	407,205	360,482	(46,723)
Intergovernmental	1,107,000	1,107,000	559,736	(547,264)
Other revenues	31,840	31,840	99,599	67,759
Total revenues	12,466,565	12,466,565	11,667,660	(798,905)
EXPENDITURES:				
Current:				
Water purchases	160,000	160,000	168,133	(8,133)
Operations and maintenance	6,832,839	6,832,839	4,669,256	2,163,583
Administration and general	4,777,779	4,777,779	3,947,860	829,919
Conservation and flood control	2,234,250	2,234,250	737,196	1,497,054
Engineering	5,375,159	5,375,159	1,593,625	3,781,534
Capital outlay	3,017,500	3,017,500	389,271	2,628,229
Total expenditures	22,397,527	22,397,527	11,505,341	10,892,186
Net change in fund balances	\$ (9,930,962)	\$ (9,930,962)	162,319	\$ 10,093,281
FUND BALANCE:				
Beginning of year			20,866,264	
End of year			\$ 21,028,583	

Solano County Water Agency
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
State Water Project
For the year ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 15,658,770	\$ 15,658,770	\$ 14,894,908	\$ (763,862)
Charges for services	2,547,101	2,547,101	2,355,774	(191,327)
Investment earnings	275,000	275,000	398,800	123,800
Intergovernmental	345,000	345,000	399,346	54,346
Other revenues	17,240	17,240	17,322	82
Total revenues	18,843,111	18,843,111	18,066,150	(776,961)
EXPENDITURES:				
Current:				
Water purchases	13,185,150	13,185,150	12,117,028	1,068,122
Operations and maintenance	889,500	889,500	1,033,254	(143,754)
Administration and general	1,688,068	1,688,068	1,326,019	362,049
Conservation and flood control	406,750	406,750	348,695	58,055
Engineering	414,100	414,100	65,914	348,186
Capital outlay	456,250	456,250	9,908	446,342
Total expenditures	17,039,818	17,039,818	14,900,818	2,139,000
Net change in fund balances	\$ 1,803,293	\$ 1,803,293	3,165,332	\$ 1,362,039
FUND BALANCE:				
Beginning of year			20,792,243	
End of year			\$ 23,957,575	

Solano County Water Agency
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Ulatis Flood Control
For the year ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 1,532,590	\$ 1,532,590	\$ 1,474,494	\$ (58,096)
Investment earnings	107,000	107,000	134,084	27,084
Other revenues	7,000	7,000	7,393	393
Total revenues	1,646,590	1,646,590	1,615,971	(30,619)
EXPENDITURES:				
Current:				
Operations and maintenance	1,120,500	1,120,500	675,595	444,905
Administration and general	247,966	247,966	128,052	119,914
Capital outlay	418,500	418,500	383,236	35,264
Total expenditures	1,786,966	1,786,966	1,186,883	600,083
Net change in fund balances	\$ (140,376)	\$ (140,376)	429,088	\$ 569,464
FUND BALANCE:				
Beginning of year			7,214,592	
End of year			\$ 7,643,680	

Solano County Water Agency
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Green Valley Flood Control
For the year ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 162,460	\$ 162,460	\$ 166,436	\$ 3,976
Investment earnings	4,500	4,500	4,032	(468)
Total revenues	166,960	166,960	170,468	3,508
EXPENDITURES:				
Current:				
Water purchases	-	-	-	-
Operations and maintenance	96,000	96,000	52,973	43,027
Administration and general	112,495	112,495	57,394	55,101
Engineering	37,500	37,500	-	37,500
Capital outlay	28,750	28,750	-	28,750
Total expenditures	274,745	274,745	110,367	164,378
Net change in fund balances	\$ (107,785)	\$ (107,785)	60,101	\$ 167,886
FUND BALANCE:				
Beginning of year			217,199	
End of year			\$ 277,300	

Solano County Water Agency
Required Supplementary Information
For the year ended June 30, 2020

1. Defined Benefit Pension Plan

Schedule of the Agency's Proportionate Changes in the Net Pension Liability - Last 10 Years*

Fiscal year	2020	2019	2018	2017	2016	2015
Measurement date	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
Proportion of the net pension liability	0.00617%	0.01191%	0.01260%	0.01160%	0.01076%	0.01200%
Proportionate share of the net pension liability	\$ 631,837	\$ 1,147,699	\$ 1,205,732	\$ 1,003,309	\$ 738,680	\$ 751,756
Covered payroll	\$ 1,957,657	\$ 1,720,043	\$ 1,430,395	\$ 1,297,221	\$ 1,274,487	\$ 1,165,322
Proportionate Share of the net pension liability as a percentage of covered payroll	32.28%	66.73%	84.29%	77.34%	57.96%	64.51%
Plan fiduciary net position as a percentage of the total pension liability	75.26%	75.26%	73.31%	74.06%	78.40%	79.82%

Schedule of Contributions - Last 10 Years*

Fiscal year	2020	2019	2018	2017	2016	2015
Contractually required contribution (actuarially determined)	\$ 269,459	\$ 247,357	\$ 206,719	\$ 174,564	\$ 155,648	\$ 169,520
Contribution in relation to the actuarially determined contributions	897,112	867,061	206,719	174,564	155,648	169,520
Contribution deficiency (excess)	\$ (627,653)	\$ (619,704)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 2,070,399	\$ 1,957,657	\$ 1,720,043	\$ 1,430,395	\$ 1,297,221	\$ 1,274,487
Contributions as a percentage of covered payroll	43.33%	44.29%	12.02%	12.20%	12.00%	13.30%

* Fiscal year 2015 was the 1st year of implementation.

Notes to Schedule of Employer contribution:

Valuation date	June 30, 2017
Actuarial cost method	Entry age normal cost method
Amortization method	Level percent of pay, direct rate smoothing
Asset valuation method	Market value of assets
Inflation	2.625%
Salary increases	Varies by entry age and service
Discount rate*	7.25% (net of administrative expenses)
Mortality	Derived using CalPERS' Membership Data for all Funds.

* Please note, the discount rate used for Actuarially Determined Contribution is different from the one used for Total Pension Liability

Solano County Water Agency
Required Supplementary Information
For the year ended June 30, 2020

2. OTHER POST-EMPLOYMENT BENEFITS PLAN SCHEDULES

Schedule of Changes in the Net OPEB Liability and Related Ratios - Last 10 Years*

For the Measurement Period:	2019	2018	2017
Total OPEB Liability			
Service cost	\$ 152,268	\$ 158,962	\$ 153,958
Interest	93,449	100,328	86,953
Actual versus expected experience	-	(300,000)	-
Assumption changes	-	(37,883)	-
Benefit payments	(17,149)	(32,435)	(31,389)
Net change in the total OPEB liability	228,568	(111,028)	209,522
Total OPEB liability - beginning	1,351,488	1,462,516	1,252,994
Total OPEB liability - ending (a)	<u>\$ 1,580,056</u>	<u>\$ 1,351,488</u>	<u>\$ 1,462,516</u>
Plan Fiduciary Net Position			
Contributions - employer	\$ 147,479	\$ 782,435	\$ 761,389
Contributions - employee	-	-	-
Net investment income	113,156	26,139	3,246
Benefit payments	(17,149)	(32,435)	(31,389)
Administrative expense	(368)	(1,514)	(38)
Net change in the total OPEB liability	243,118	774,625	733,208
Plan fiduciary net position - beginning	1,507,833	733,208	-
Plan fiduciary net position - ending (b)	<u>\$ 1,750,951</u>	<u>\$ 1,507,833</u>	<u>\$ 733,208</u>
Net OPEB (asset) liability - ending (a) - (b)	<u>\$ (170,895)</u>	<u>\$ (156,345)</u>	<u>\$ 729,308</u>
Plan fiduciary net position as a percentage percentage of the total OPEB liability	110.82%	111.57%	50.13%
Covered employee payroll	\$ 1,983,872	\$ 1,709,111	\$ 1,479,245
Net OPEB (asset) liability as a percentage of covered employee payroll	-8.61%	-9.15%	49.30%

Notes to Schedule:

Changes in assumptions:

For the measurement period ended June 30, 2019, there were no changes actuarial assumptions.

* Fiscal year 2018 was the 1st year of implementation.

**Solano County Water Agency
 Required Supplementary Information
 For the year ended June 30, 2020**

2. OTHER POST-EMPLOYMENT BENEFITS PLAN SCHEDULES, Continued

Schedule of Plan Contributions - Last 10 Years*

Fiscal Year Ended June 30	2020	2019	2018
Actuarially determined contribution (ADC)	\$ 156,236	\$ 151,562	\$ 32,435
Contributions in relation to the ADC	144,037	147,479	782,435
Contribution deficiency (excess)	<u>\$ 12,199</u>	<u>\$ 4,083</u>	<u>\$ (750,000)</u>
Covered employee payroll	\$ 2,138,043	\$ 1,983,872	\$ 1,709,111
Contributions as a percentage of covered employee payroll	6.74%	7.43%	45.78%

* Fiscal year 2018 was the 1st year of implementation.

Notes to Schedule of Employer Contributions:

Valuation date	June 30, 2018
Actuarial cost method	Entry age normal, Level % of pay
Amortization method	Level % of pay
Amortization period	19-year fixed period for 2019/20
Asset valuation method	Investment gains and losses spread over 5-year rolling period
Discount rate	6.25%
General inflation	2.75%
Medical trend	Non medicare -7.5% for 2019, decreasing to an ultimate rate of 4.0% in 2076
	Medicare - 6.5% for 2019, decreasing to an ultimate rate of 4.0% in 2076
Mortality	CalPERS 1997-2015 experience study



**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

To the Board of Directors
of the Solano County Water Agency
Vacaville, 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 governmental activities and major funds of the Solano County Water Agency, (Agency), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated January 27, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency'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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. 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.

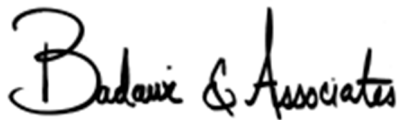
To the Board of Directors
of the Solano County Water Agency
Vacaville, California
Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency'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 determination of financial statement amounts. 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.



Badawi and Associates
Certified Public Accountants
Berkeley, California
January 27, 2021