

TRINITY COUNTY WATERWORKS DISTRICT NO. 1

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2022

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Donald R. Reynolds

Certified Public Accountant

INDEPENDENT AUDITORS' REPORT

Board of Directors
Trinity County Water Works District #1
Hayfork, California

Report on the Audit of the Financial Statements

Opinions

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Trinity County Waterworks District #1 (District), a component unit of Trinity County, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements.

In my opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Trinity County Waterworks District #1 as of June 30, 2022, 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.

Basis for Opinions

I conducted my audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the District and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions. Responsibilities of Management for the Financial Statements Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and Government Auditing Standards, I:

Exercise professional judgment and maintain professional skepticism throughout the audit;

Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed;

Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements; and

Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate

Board of Trustees
Trinity County Waterworks District #1

operational, economic, or historical context. Management has elected to omit the Management Discussion and Analysis.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated November 15, 2022 on my consideration of the District's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Trinity County Waterworks District #1's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Trinity County Waterworks District #1's internal control over financial reporting and compliance. .



Donald R. Reynolds, CPA
Redding, California
November 15, 2022

GOVERNMENT WIDE FINANCIAL STATEMENTS

TRINITY COUNTY WATERWORKS DISTRICT #1
STATEMENT OF NET POSITION
JUNE 30, 2021

	<u>Governmental</u> <u>Activities</u>	<u>Business</u> <u>Activities</u>	<u>Total</u>
ASSETS			
<u>Current Assets:</u>			
Cash and Investments			
Available for operations	\$ 4,881	\$ 89,686	\$ 94,567
Restricted cash	-	1,006,369	1,006,369
Accounts receivable - Net of allowance	11,250	31,090	42,340
Inventory	-	32,195	32,195
Capital Assets			
Assets not subject to depreciation:			
Land	-	4,000	4,000
Construction in Progress	-	-	-
Assets subject to depreciation:			
Water & Sewer Systems	-	15,258,130	15,258,130
Irrigation System	-	910,490	910,490
General Plant & Equipment	-	212,508	212,508
Accumulated Depreciation	-	(8,452,922)	(8,452,922)
Depreciable assets net	<u>-</u>	<u>7,928,206</u>	<u>7,928,206</u>
Other Assets	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 16,131</u>	<u>\$ 9,091,546</u>	<u>\$ 9,107,677</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Pension	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ -	\$ 11,769	\$ 11,769
Payroll Withholdings and Accrued Liabilities	-	3,649	3,649
Accrued Interest Payable	-	-	-
Customer Deposits	-	34,439	34,439
Net pension liability	-	316,500	316,500
Long-term Debt			
Payable within one year	-	33,612	33,612
Due in more than one year	-	589,868	589,868
Total Liabilities	<u>\$ -</u>	<u>\$ 989,837</u>	<u>\$ 989,837</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
GASB 68 Pension adjustments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total deferred inflows	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>NET POSITION</u>			
Non-Spendable Investment in Capital Assets, net of related debt	-	7,308,726	7,308,726
Restricted for:			
Debt Service	-	-	-
Levee Maintenance	-	-	-
Unassigned	<u>16,131</u>	<u>792,983</u>	<u>809,114</u>
Total Net Position	<u>\$ 16,131</u>	<u>\$ 8,101,709</u>	<u>\$ 8,117,840</u>

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

TRINITY COUNTY WATERWORKS DISTRICT #1
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2021

FUNCTIONS/PROGRAMS	<u>EXPENSES</u>	<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	<u>CAPITAL GRANTS AND CONTRIBUTIONS</u>	<u>NET (EXPENSE)/REVENUE</u>
Cultural, Parks and Recreation					
General Fund	\$ -	\$ -	\$ -	\$ -	\$ -
Business-Type Activities					
Water	856,455	581,964	-	-	(274,491)
Sewer	303,900	240,111	-	-	(63,789)
Irrigation	30,350	31,025	-	-	675
Total Business-Type Activities	<u>1,190,705</u>	<u>853,100</u>	-	-	<u>(337,605)</u>
Total	<u>\$ 1,190,705</u>	<u>\$ 853,100</u>	\$ -	\$ -	<u>\$ (337,605)</u>

<u>Governmental Activities</u>	<u>Business Activities</u>	<u>Total</u>
---------------------------------------	-----------------------------------	---------------------

CHANGES IN NET POSITION:

Net (Expense)/Revenue	\$ -	\$ (337,605)	\$ (337,605)
General Revenues:			
Taxes			
Sales and Use Taxes	-	-	-
Property Taxes	-	-	-
Other Taxes	-	-	-
Grants and contributions	-	206,646	206,646
Intergovernmental	-	-	-
Investment Income	-	56	56
Assessments	-	40,637	40,637
Other	-	9,933	9,933
Transfers - Internal Activity	-	-	-
Total General Revenues and Transfers	<u>-</u>	<u>257,272</u>	<u>257,272</u>
Change in Net Position	-	(80,333)	(80,333)
Net Position - Beginning	16,131	8,182,042	8,198,173
Prior period adjustments	-	-	-
Net Position - Beginning (Restated)	<u>16,131</u>	<u>8,182,042</u>	<u>8,198,173</u>
Net Position - Ending	<u>\$ 16,131</u>	<u>\$ 8,101,709</u>	<u>\$ 8,117,840</u>

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

**TRINITY COUNTY WATERWORKS DISTRICT #1
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021**

	Governmental Activities <u>General Fund</u>
ASSETS	
<u>Current Assets:</u>	
Cash	\$ 4,881
Accounts Receivable	11,250
Total Assets	<u>\$ 16,131</u>
<u>LIABILITIES</u>	
Other Accrued Liabilities	-
Total Liabilities	<u>-</u>
<u>FUND BALANCES</u>	
Unreserved, Reported In:	-
Capital Projects	-
Total Fund Balances	<u>16,131</u>
Total Liabilities and Net Assets	<u>\$ 16,131</u>

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE
GOVERNMENT-WIDE STATEMENT OF NET ASSETS**

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

Capital assets unused in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation.	\$ -
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Net assets of governmental activities	<u>\$ 16,131</u>

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

**TRINITY COUNTY WATERWORKS DISTRICT #1
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2021**

	General Fund	Total Governmental Funds
REVENUES		
Golf Course Charges	\$ -	\$ -
Other	-	-
	-----	-----
Total Revenues	-	-
EXPENDITURES		
<u>Current:</u>		
Other - Refunds	-	-
	-----	-----
Total Expenditures	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-
	-----	-----
OTHER FINANCING SOURCES (USES)		
Transfers in (out)	-	-
	-----	-----
Total Other Financing Sources (Uses)	-	-
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	-	-
	-----	-----
FUND BALANCE - BEGINNING OF YEAR	<u>16,131</u>	<u>16,131</u>
FUND BALANCE - END OF YEAR	<u>\$ 16,131</u>	<u>\$ 16,131</u>

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

(Continued)

**TRINITY COUNTY WATERWORKS DISTRICT #1
 STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 For the Fiscal Year Ended June 30, 2021**

Reconciliation of the change in fund balances - Total Governmental Funds
 to the change in net assets of governmental activities

Net change in fund balances - Total Governmental Funds	\$	-
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the estimated useful life of the assets:		None
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:		None
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets:		None
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures on governmental funds:		<u>None</u>
Change in Net Assets of Governmental Activities	\$	<u><u>-</u></u>

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

TRINITY COUNTY WATERWORKS DISTRICT #1
STATEMENT OF NET POSITION
BUSINESS TYPE ACTIVITIES
JUNE 30, 2021

ASSETS

Cash and Investments		
Cash available for operations	\$	89,686
Restricted Assets:		
Cash		-
Investments		1,006,369
Accounts Receivable		31,090
Inventory		32,195
Capital Assets :		
Assets not subject to depreciation:		
Land		4,000
Construction in Progress		-
Assets subject to depreciation:		
Water & Sewer Systems		15,258,130
Irrigation System		910,490
General Plant & Equipment		212,508
Accumulated Depreciation		(8,452,922)
Other Assets		-
Total Assets	\$	<u>9,091,546</u>

DEFERRED OUTFLOWS OF RESOURCES

Pension	\$	<u>-</u>
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LIABILITIES

Accounts Payable	\$	11,769
Payroll Withholdings & Accrued Liabilities		3,649
Customer Deposits		34,439
Net Pension Liability		316,500
Long term debt		
Amount due within one year		33,612
Amount payable in more than one year		589,868
Total Liabilities	\$	<u>989,837</u>

DEFERRED OUTFLOWS OF RESOURCES

Pension	\$	<u>-</u>
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NET POSITION

Investment in Capital Assets, net of related debt		7,308,726
Restricted for:		
Debt Service		-
Unrestricted		792,983
Total Net Position	\$	<u>8,101,709</u>

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

TRINITY COUNTY WATERWORKS DISTRICT #1
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
BUSINESS TYPE ACTIVITIES
For the Fiscal Year Ended June 30, 2021

OPERATING REVENUES

Water Sales	\$ 556,644
Sewer Service Charges	200,613
Connection, Extension and Other Fees	50,010
Other	45,833
	<u>853,100</u>

OPERATING EXPENSES

Depreciation and Amortization	355,601
Electric Power	38,380
Insurance	13,513
Lab fees	42,109
Office Supplies, Utilities and Maintenance	60,894
Other	-
Professional Services	477,576
Salaries and wages, Pension and Payroll Taxes	90,031
State Fees	49,553
System Repairs and Maintenance	52,142
Telemetry and Lab Testing	7,991
Travel, Meetings, Memberships and Subscriptions	2,915
Total Operating Expenses	<u>1,190,705</u>
Operating Income (Loss)	<u>(337,605)</u>

NONOPERATING REVENUES

Interest	56
Grant Revenue	206,646
Special assessments	40,637
Taxes	-
Other	9,933
Total Nonoperating Revenues	<u>257,272</u>

NONOPERATING EXPENSES

Interest	-
Other	-
Total Nonoperating Expenses	<u>-</u>
Nonoperating Income	<u>257,272</u>

INCOME BEFORE CONTRIBUTIONS

Contributed capital	-
	<u>(80,333)</u>

CHANGE IN NET POSITION

UNRESTRICTED NET POSITION AT JULY 1, as previously stated	8,182,042
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Prior period Adjustment	-
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UNRESTRICTED NET POSITION AT JULY 1, as restated	<u>8,182,042</u>
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UNRESTRICTED NET POSITION AT JUNE 30, 2021	<u>\$ 8,101,709</u>
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The accompanying notes are an integral part of these financial statements

TRINITY COUNTY WATERWORKS DISTRICT #1
STATEMENT OF CASH FLOWS -
BUSINESS TYPE ACTIVITIES
For the Fiscal Year Ended June 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES:

Operating Income (Loss)	\$ (337,605)
Adjustments to Reconcile Operating Income to Cash Provided by Operating Activities:	
Depreciation	355,601
(Increase) Decrease in Accounts Receivable	(1,797)
(Increase) Decrease in Prepaid Assets	-
(Increase)Decrease in deferred items	-
Increase(decrease in Customer Deposits	(794)
Increase (Decrease) in Accounts Payable	(948)
	<hr/>
Net Cash Provided by Operating Activities	<u>14,457</u>

**CASH FLOWS FROM (TO) NONCAPITAL
FINANCING ACTIVITIES:**

Other Nonoperating Revenues	257,216
Operating Transfers-in	-
Operating Transfers-out	-
	<hr/>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>257,216</u>

**CASH FLOWS FROM (TO) CAPITAL AND RELATED
FINANCING ACTIVITIES:**

Purchase of fixed assets	(183,728)
Increase in Net Pension Liability	-
Payments of Long-term Debt	3,250
Interest Paid on Long-term Debt	-
	<hr/>
Net Cash Provided by Capital and Related Financing Activities	<u>(180,478)</u>

CASH FLOWS FROM INVESTMENT ACTIVITIES:

Interest Received	<u>56</u>
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**INCREASE (DECREASE) IN CASH AND CASH
EQUIVALENTS**

91,251

CASH AND CASH EQUIVALENTS - Beginning

1,004,804

CASH AND CASH EQUIVALENTS - Ending

\$ 1,096,055

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

TRINITY COUNTY WATERWORKS DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

The financial statements of Trinity County Waterworks District No. 1 have been prepared in conformity with Accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Description of Reporting Entity

The Trinity County Waterworks District No. 1 (District) provides water and sewer as well as irrigation water service to customers in Hayfork, California.

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the District and/or its citizens, or whether the activity is conducted within the geographic boundaries of the District and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities.

Based upon the application of these criteria, there are no potential component units to be included in the District's reporting entity.

B. Implementation of Governmental Accounting Standards Board Statements

GASB Statement No. 40

At June 30, 2011, the District adopted the provisions of Governmental Accounting

Continued on the following page.

TRINITY COUNTY WATERWORKS DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

B. Implementation of Governmental Accounting Standards Board Statements (Continued)

Standards Board (GASB) Statement 40, Deposits and Investment Risk Disclosures an amendment of GASB Statement No. 3. The Statement modifies the custodial credit risk disclosures required by Statement No. 3, Deposits with Financial institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements and addresses deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk.

Accordingly, the cash and investments disclosure has been revised to conform to the provisions of GASB Statement No. 40.

C. Basis of Presentation and Accounting

The accompanying basic financial statements of the District are prepared on the accrual basis method of accounting in accordance with generally accepted accounting principles as applicable to governmental units. Under this method, revenues are recognized when earned and expenses are recognized when incurred.

All activities of the District are accounted for within a single enterprise fund. Enterprise funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. *Nonoperating* revenues, such as subsidies and investment earning, result from non exchange transactions or ancillary activities.

Non-exchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. In accordance with GASB No. 33, *Accounting and Reporting for Non-exchange Transactions*, revenue from property taxes is available.

Continued on the following page.

**TRINITY COUNTY WATERWORKS DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

C. Basis of Presentation and Accounting (Continued)

Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligible requirements have been satisfied and the resources are available.

When both restricted and unrestricted resources are available for use, it is the District's Policy to use restricted resources first, then unrestricted resources as they are needed.

D. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the District considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

E. Allowance for Doubtful Accounts

The District's receivables consist mostly of special assessments due from tax payers and utility billing due from customers. The District considers accounts receivable to be fully collectible at year-end; accordingly, no allowance for doubtful accounts is required.

F. Capital Assets

Property and equipment is recorded at cost. Donated property and equipment is stated at the fair value at the date of donation and recorded as contributed capital. Depreciation is provided on the straight-line basis over the estimated useful lives of the assets as follows:

Structures and Improvements	10-45 Years
Vehicles and Equipment	3-10 Years

G. Inventory

The District uses the "consumption" method of accounting for inventory. Under the "consumption" method, inventory acquisitions are recorded in the inventory account initially, and charged as expenditures when used.

Continued on the following page.

**TRINITY COUNTY WATERWORKS DISTRICT NO. 1
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

H. General Liability Insurance

The District is a member of the Special District Risk Management Authority (S.D.R.M.A.) under a Joint Powers Agreement. The Authority provides general liability and property, and errors and omissions insurance under a self-insurance program funding pool.

I. Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as liabilities of the District and are accrued when incurred.

Accumulated Employee sick leave benefits are not recognized as liabilities of the District since payment of such benefits is not probable. Therefore, sick leave benefits are recorded as expenditures in the period that sick leave is taken.

J. Property Taxes

The State of California (State) Constitution Article XIII A provides that the combined maximum property tax rate on any given property may not exceed one percent (1 %) of its assessed value unless an additional amount for general obligation debt has been approved by voters. Assessed value is calculated at 100% of market value as defined by Article XIII A and may be adjusted by no more than two percent (2%) per year unless the property is sold, transferred, or improved. The State Legislature has determined the method of distribution of receipts from a one percent (1%) tax levy among the counties, cities, school districts, and other districts.

Trinity County assesses, bills for, and collects property taxes as follows:

	<u>Secured</u>	<u>Unsecured</u>
Lien dates:	March 1	March 1
Levy dates	July 1	July 1
Due dates	50% on November 1 and 50% on March 1	July 1
Delinquent as of	October 10 (for November) and April 10 (for March)	August 31

The term "unsecured" refers to taxes on personal property other than real estate, land, and buildings. These taxes are secured by liens on the property being taxed.

Continued on the following page.

**TRINITY COUNTY WATERWORKS DISTRICT NO. 1
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

J. Property Taxes (Continued)

Property taxes levied are recorded as revenue when received in the fiscal year of levy because of the adoption of the "alternate method of property tax distribution," known as the Teeter Plan, by the District and the County of Trinity (County). The Teeter Plan authorizes the Controller of the County to allocate 100% of the secured property taxes billed, but not yet paid. The County remits tax monies to the District in three installments, as follows:

55% remitted on December 15
 40% remitted on April 15
 5% remitted on June 15

K. Capitalization of Interest

Interest is capitalized on costs associated with the acquisition and construction of assets. The amount of interest capitalized is the total of all associated interest costs, less interest earned on the temporary investment of the proceeds of any tax-exempt borrowings.

L. Use of Estimates

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

NOTE 2 CASH AND INVESTMENTS

The District maintains various cash and investment accounts with banks, the Trinity County Treasurer, and a safekeeping agent.

At June 30, 2022, total District cash and investments at fair value were as follows:

Government Funds

	Per Books	Per Bank
<i>Cash:</i>		
Cash on hand	\$ <u>4,881</u>	\$ <u>4,881</u>

Continued on the following page.

**TRINITY COUNTY WATERWORKS DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 2 CASH AND INVESTMENTS (Continued)

Business-Type Funds

	Per Books	Per Bank
<i>Cash:</i>		
Cash on hand and in bank	\$ <u>148,072</u>	\$ <u>148,072</u>
<i>Restricted cash:</i>		
Cash in bank	83,518	83,518
Deposits	<u>35,216</u>	<u>35,216</u>
Total restricted cash	<u>118,734</u>	<u>118,734</u>
<i>Investments:</i>		
County Pooled Treasury	29,606	29,606
With safekeeping agent	35,297	35,297
Local Agency Investment Fund	<u>673,095</u>	<u>673,095</u>
Total investment	<u>737,998</u>	<u>737,998</u>
Total restricted cash and investments	\$ <u>856,732</u>	\$ <u>856,732</u>

INVESTMENTS

The District’s investment policy does not define criteria for selecting acceptable financial institutions, brokers/dealers, or allowable investment types as defined by Government Code 53635.

At June 30, 2022, the District had the following investments:

	<u>Interest Rates</u>	<u>Maturities</u>	<u>Par</u>	<u>Cost</u>	<u>Fair Value</u>	<u>WAM (Years)</u>
Investments						
Cash in County Pooled Treasury	Variable	On Demand	\$ 29,606	\$ 29,606	\$ 29,606	-
Mutual Fund	Variable	On Demand	35,297	35,297	35,297	-
Local agency Investment Fund	1.67%-2.85%	On Demand	<u>673,095</u>	<u>673,095</u>	<u>673,095</u>	<u>-</u>
Total Investments in investment pool			<u>\$ 737,998</u>	<u>\$ 737,998</u>	<u>\$ 737,998</u>	<u>-</u>

Interest Rate Risk

The District’s investment policy does not define a method for limiting investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Continued on the following page.

**TRINITY COUNTY WATERWORKS DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 2 CASH AND INVESTMENTS (Continued)

Credit Risk

The District’s investment policy does not define a method for limiting credit risk. State law and the County’s Investment Policy limit investments in commercial paper to the rating of A1 by Standards & Poor’s or P-1 by Moody’s Investors Service. State Law Limits Investors Service. The District has no investments in commercial paper or corporate bonds.

Concentration of Credit Risk

At June 30, 2022, in accordance with State law, the District did not have 5% or more of its net investment in commercial paper, corporate bonds or medium term notes of a single organization, nor did it have 10% or more of its net investment in any one money market mutual fund. Investments in obligations of the U.S. government, U.S. government agencies, or government-sponsored enterprises are exempt from these limitations.

The following is a summary of the credit quality distribution and concentration of credit risk by investment type as a percentage of the District’s investment pool’s fair value at June 30, 2022.

	<u>SAP</u>	<u>Moody’s</u>	<u>% of Portfolio</u>
Cash in county Pooled Treasury	Unrated	Unrated	6.99%
State Farm Mutual Fund	Unrated	Unrated	5.19%
Local Agency Investment Fund (LAIF)	Unrated	Unrated	87.82%
Total			<u>100.00%</u>

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At year end, the District’s investment pool and specific investments had no securities exposed to custodial credit risk.

Local Agency Investment Fund

The District maintains an investment in the State of California Local Agency Investment Fund (LAIF), managed by the State Treasurer. This fund is not registered

Continued on the following page.

TRINITY COUNTY WATERWORKS DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 2 CASH AND INVESTMENTS (Continued)

with the Securities and Exchange Commission as an investment company, but is required to invest according to California State Code. Participants in the pool include voluntary and involuntary participants, such as special districts and school districts for which there are legal provisions regarding their investments. The Local Investment Advisor Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute.

At June 30, 2022, the District's investment position in the State of California Local Agency Investment Fund (LAIF) was \$673,095, which approximates fair value and is the same as value of the pool shares. The total amount invested by all public agencies in LAIF on that day was \$64,846,169,000. Of that amount, 97.6% was invested in non-derivative financial products and 2.4% in structured notes and asset-backed securities.

At June 30, 2022 the difference between the cost and fair value of cash and investments was not material (fair value was 97.6% of carrying value). Therefore, an adjustment to fair value was not required. Fair value is based on information provided by the State for the Local Agency Investment Fund. Investments are liquid.

Trinity County Treasury Pool

The Trinity County Treasurer's Pool is not SEC-registered, but is invested in accordance with California State Government Code, and the Trinity County Treasurer's Investment Policy. California State Government Code requires the formation of an Investment Oversight Committee, which is charged with overseeing activity in the pool for compliance to policy and code requirements. To this end, the Oversight Committee reviews the monthly investment report prior to presentation to the Board of Supervisors and causes an audit of investments to occur annually.

Continued on the following page.

**TRINITY COUNTY WATERWORKS DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 3 CAPITAL ASSETS

A summary of the changes in capital assets is as follows:

	<u>Balance July 1, 2021</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers & Adjustments</u>	<u>Balance June 30, 2022</u>
Capital assets, not being depreciated:					
Construction in Progress	\$ -	\$ -	\$ -	\$ -	\$ -
Land	<u>4,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,000</u>
Total capital assets, not being depreciated	\$ <u>4,000</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>4,000</u>
Capital assets, being depreciated:					
Vehicles and Equipment	\$ 189,655	\$ 22,853	\$ -	\$ -	\$ 212,508
Structures and Improvements	<u>16,010,587</u>	<u>158,033</u>	<u>-</u>	<u>-</u>	<u>16,168,620</u>
Total capital assets, being depreciated	<u>16,200,242</u>	<u>180,886</u>	<u>-</u>	<u>-</u>	<u>16,381,128</u>
Less accumulated depreciation for:					
Vehicles and Equipment	(125,314)	(21,751)	-	-	(147,065)
Structures and Improvements	<u>(7,971,607)</u>	<u>(334,250)</u>	<u>-</u>	<u>-</u>	<u>(8,305,857)</u>
Total accumulated depreciation	<u>(8,096,921)</u>	<u>(356,001)</u>	<u>-</u>	<u>-</u>	<u>(8,452,922)</u>
Total capital assets, being depreciated net	\$ <u>8,103,321</u>	\$ <u>(175,115)</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>7,928,206</u>

NOTE 4 LONG-TERM DEBT

A summary of long-term debt liabilities transactions for the year ended June 30, 2022 is as follows:

	<u>Long Term Portion</u>			<u>Balance June 30, 2022</u>	<u>Amounts Due Within One Year</u>
	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Deletions/ Adjustments</u>		
Notes payable Special Assessment Debt with Government Obligation	\$ 171,406	\$ -	\$ 12,304	\$ 159,102	\$ 12,612
	<u>452,066</u>	<u>-</u>	<u>20,000</u>	<u>432,066</u>	<u>21,000</u>
Total Long-Term Liabilities	\$ <u>623,472</u>	\$ <u>-</u>	\$ <u>32,304</u>	\$ <u>591,168</u>	\$ <u>33,612</u>
<u>Other Long Term Liabilities</u>					
Compensated absences	\$ <u>3,502</u>	\$ <u>141</u>	\$ <u>-</u>	\$ <u>3,643</u>	\$ <u>3,643</u>

Continued on the following page.

**TRINITY COUNTY WATERWORKS DISTRICT NO. 1
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2022**

NOTE 4 LONG-TERM DEBT (CONTINUED)

As of June 30, 2022, annual debt service requirements to maturity are as follows:

Fiscal Year June 30	Special Assessment		Notes Payable	
	Principal	Interest	Principal	Interest
2023	\$ 21,000	\$ 18,950	\$ 12,612	\$ 3,871
2024	22,000	18,020	13,132	3,348
2025	23,000	17,047	13,456	3,020
2026	24,000	16,026	13,788	2,684
2027	25,000	14,960	14,129	2,338
2027-2031	144,000	56,946	76,055	6,217
2032-2036	173,066	19,400	15,930	483
2037-2038	-	-	-	-
	<u>\$ 432,066</u>	<u>\$ 161,349</u>	<u>\$ 159,102</u>	<u>\$ 21,961</u>

Long-term liabilities at June 30,2022, consisted of the following:

	Date of Issue	Date of Maturity	Interest Rate	Annual Principal Installments	Original Issue Amount	Outstanding June 30,2022
Note payable - Davis Grunsky	1999	2037	2.50%	\$7,975 - \$16,329	\$ 482,000	\$ 159,102
Special Assessment Debt						
Waterworks District #1 sewer system construction	1997-2000	2039	4.5%	\$9,000-\$41,066	<u>1,103,750</u>	<u>432,066</u>
Total Business - Type Activities					<u>\$ 1,585,750</u>	<u>\$ 591,168</u>

Note Payable

The Davis-Grunsky loan, of which the original amount was \$482,000, is payable in annual principal installments due January 1 of each year. The current interest rate is 2.5% and is payable July 1 and January 1 of each year. An accumulated deferred interest is also payable at \$2,164 per year, due January 1 of each year.

Special Assessment Debt and Sewer System Construction

On August 13, 1997, the voters in the District approved a measure to borrow \$1,200,000 from the Rural Utilities Service (RUS) for the construction of a sewer collection and treatment system for the residents of the District. This loan is to be repaid out of annual property tax assessments. In August 2000, the District was granted a Community Block Service Grant for \$500,000 to pay off the assessments on behalf of qualified low-income households.

Continued on the following page.

TRINITY COUNTY WATERWORKS DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 5 DEFERRED COMPENSATION PLAN

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the District (without being restricted to the provisions of benefits under the plan), subject only to the District's general creditors.

Participants' rights under the plan are equal to those of general creditors of the district in an amount equal to the fair market value of the deferred account for each participant.

At June 30, 2022, there were no active participants.

NOTE 6 CONTINGENT LIABILITY

The District withdrew from CalPERS effective October 1, 2016. At that time CalPERS estimated the District's termination liability to be approximately \$487,000. Subsequently the figure was recalculated and increased to the \$1,534,409 which has been carried as a liability on the balance sheet pending the outcome of the District's negotiations with CalPERS regarding the amount.

During the prior fiscal year, the District concluded its negotiations with its prior employees to determine if another method of payment could be arrived at that would offset CalPERS' proposed reduction in their PERs benefit. At this time the nature of those payments and the nature of that agreement is undetermined. The District is currently seeking an attorney to assist them in exploring and drafting such an agreement and it will be determined at that time how to quantify and classify that liability. It is assumed, at this time, that it will fall under GASB 75 as an "Other Post Employment Benefit".

During the prior fiscal year, the District made the determination that the liability previously on the books (\$1,534,409) is in excess of the net present value of the contractual obligations. The amount has been adjusted to \$316,500 based on that net present value calculation.

TRINITY COUNTY WATERWORKS DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 7 NET POSITION/FUND BALANCES

Beginning with fiscal year 2010-11, the District implemented GASB Statement 54 “Fund Balance Reporting and Governmental Fund Type Definitions”. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable fund balance-amounts in fund balance that cannot be spent because they are either not in spendable form (such as prepaids and inventory) or legally/contractually are required to be maintained intact;

Restricted fund balance-resources that are constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through externally enforceable legal restrictions (cannot be spent due to their form).

Committed fund balance-amounts are constrained to specific purposes by action of the district itself, using its highest level of decision-making authority; Removal or modification of the restrictions on the use of these amounts can only be accomplished if the District takes the same highest level action to remove or change the constraint;

Assigned fund balance-amounts the District intends to use for a specific purpose; intent can be expressed by the District, a District created committee, or an official designated by the District to which it delegates the authority; Informal commitments (no formal action by the District).

Unassigned fund balance-Resources in the fund balance that cannot be classified into any of the other categories. These amounts that are available for any purpose; positive amounts are reported only in the general fund.

The District establishes fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the District.

Continued on the following page.

TRINITY COUNTY WATERWORKS DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 8 CONTRACT AND PROFESSIONAL SERVICES

During the year the district outsourced its operations and maintenance to a private contractor. The contract calls for the contractor to provide all operations and maintenance services that were previously provided by District staff as well as any additional services the Board may deem necessary during the term of the contract. The contractor is payable in monthly installments of \$21,675 and extends from July 1, 2017 to June 30, 2022. It is the determination of management that the contract will result in a significant cost savings to the District. The contract is reflected in the financial statements by a significant decrease in payroll and payroll related expenses as well as other vehicle related expenses. The corresponding increase in professional services reflects the contract payments plus other incidental expenses.

NOTE 9 SUBSEQUENT EVENTS

These financial statements consider subsequent events through November 15, 2022 the date the financial statements were made available to be issued.

Donald R Reynolds

Certified Public Accountant

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

Board of Directors
Trinity County Water Works District #1
Hayfork, CA

We have audited the basic financial statements of the Trinity County Water Works District #1 as of and for the year ended June 30, 2022, and have issued our report thereon dated November 15, 2022. 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.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Trinity County Water Works District #1's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Intended Purpose

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Donald R. Reynolds". The signature is written in a cursive style with a large, prominent "D" at the beginning.

Donald R. Reynolds, CPA
Redding, California
November 15, 2022