

CALPELLA COUNTY WATER DISTRICT

FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

CALPELLA COUNTY WATER DISTRICT  
FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019

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Board of Directors  
Calpella County Water District  
Ukiah, CA 95482

Independent Auditor's Report

I have audited the accompanying financial statements of the business-type activities of Calpella County Water District as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

**Auditor's Responsibility**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

**Opinions**

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Calpella County Water District as of June 30, 2020 and 2019, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

The District has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United State has determined is necessary to supplement, although not required to be part of the basic financial statements.

*Other Information*

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Calpella County Water District's basic financial statements. The combining fund financial statement is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The combining fund financial statement is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the combining fund financial statement is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Michael A Celentano  
Certified Public Accountant

August 26, 2020

CALPELLA COUNTY WATER DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2020 AND 2019

<u>ASSETS</u>	<u>2020</u>	<u>2019</u>
<u>Current Assets</u>		
Cash in bank - Note 2	\$ 273,535	\$ 235,769
Accounts receivable	37,364	32,872
Taxes receivable	72	294
Prepaid expenses	1,590	1,535
Meters not installed	<u>40,580</u>	<u>-</u>
Total Current Assets	353,141	270,470
<u>Non Current Assets</u>		
Accounts receivable	<u>-</u>	<u>1,775</u>
Total Non Current Assets	-	1,775
<u>Capital Assets - Note 3</u>	<u>849,536</u>	<u>909,568</u>
Total Assets	<u>\$ 1,202,677</u>	<u>\$ 1,181,813</u>
 <u>LIABILITIES</u>		
<u>Current Liabilities</u>		
Accounts payable	\$ 63,320	\$ 15,045
Refundable customer deposits	<u>4,620</u>	<u>3,670</u>
Total Current Liabilities	<u>67,940</u>	<u>18,715</u>
Total Liabilities	<u>\$ 67,940</u>	<u>\$ 18,715</u>
<u>Net Position</u>		
Investment in capital assets	\$ 849,536	\$ 909,568
Unrestricted	<u>285,201</u>	<u>253,530</u>
Net Position	<u>\$ 1,134,737</u>	<u>\$ 1,163,098</u>

The accompanying notes are an integral part of these statements

CALPELLA COUNTY WATER DISTRICT  
STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION  
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<u>Operating Revenues</u>		
Sales	\$ 316,042	\$ 302,547
 Total Operating Revenue	 316,042	 302,547
 <u>Operating Expenses</u>		
Contract/Personnel services	112,198	95,044
Purchased water	85,428	59,710
Supplies	4,670	5,048
Repairs and maintenance	10,914	12,949
Utilities	31,629	26,754
Directors fees	1,440	1,600
Permits and fees	25,589	13,912
Insurance	3,457	4,096
Office expense	1,266	973
Professional fees	8,704	8,889
Licenses and fees	3,926	3,809
Testing	13,730	11,135
Postage	973	812
Rent	-	1,130
Merchant fees	618	
Election costs	610	-
Depreciation	60,032	61,612
 Total Operating Expenses	 <u>365,184</u>	 <u>307,473</u>
 Operating Income (Loss)	 (49,142)	 (4,926)
 <u>Non-Operating Revenues (Expenses)</u>		
Interest income	240	187
Tax revenue	18,996	19,179
Late payment penalties	1,545	3,410
Miscellaneous income (expense)	-	89
Interest expense	-	(56)
 Total Non-Operating Revenues (Expenses)	 <u>20,781</u>	 <u>22,809</u>
 Net Income (Loss)	 (28,361)	 17,883
 Net Position, Beginning of Year	 <u>1,163,098</u>	 <u>1,145,215</u>
 Net Position, Ending of Year	 <u>\$ 1,134,737</u>	 <u>\$ 1,163,098</u>

The accompanying notes are an integral part of these statements

CALPELLA COUNTY WATER DISTRICT  
STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<u>Cash Flows From Operating Activities</u>		
Cash received from customers	\$ 313,325	\$ 296,356
Payments to suppliers for goods and services	(187,252)	(155,564)
Payments to employees and related items	<u>(109,310)</u>	<u>(94,773)</u>
Net Cash Provided (Used) by Operating Activities	16,763	46,019
<u>Cash Flows From Non-Capital Financing Activities</u>		
Tax revenues received	19,218	20,359
Late payment penalties	1,545	3,410
Other non operating revenue (expense)	<u>-</u>	<u>89</u>
Net Cash Provided From Non-Capital Financing Activities	20,763	23,858
<u>Cash Flows From Capital Financing Activities</u>		
Payments for capital assets	-	(70,094)
Principal payments on long term liabilities	-	(1,500)
Interest paid	<u>-</u>	<u>(75)</u>
Net Cash Provided (Used) by Capital Financing Activities	-	(71,669)
<u>Cash Flows From Investing Activities</u>		
Interest received	<u>240</u>	<u>187</u>
Net Cash Provided From Investing Activities	<u>240</u>	<u>187</u>
Net Increase (Decrease) in Cash and Cash Equivalents	37,766	(1,605)
<u>Cash - Beginning of Year</u>	<u>235,769</u>	<u>237,374</u>
<u>Cash - Ending of Year</u>	<u>\$ 273,535</u>	<u>\$ 235,769</u>

The accompanying notes are an integral part of these statements

CALPELLA COUNTY WATER DISTRICT  
STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

Reconciliation of Operating Income

to Net Cash Provided by Operating Activities

	2020	2019
Operating income (loss)	\$ (49,142)	\$ (4,926)
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation	60,032	61,612
(Increase) decrease in current assets:		
Accounts receivable	(2,717)	(6,191)
Prepaid expenses	(55)	661
Increase (decrease) in current liabilities		
Accounts payable	7,695	(5,387)
Customer deposits	950	250
Net Cash Provided (Used) by Operating Activities	\$ 16,763	\$ 46,019

The accompanying notes are an integral part of these statements



CALPELLA COUNTY WATER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

Calpella County Water District (District) is an independent political subdivision of the State of California that provides water and sewer services to the community of Calpella, California. The reporting entity is comprised of the District as the oversight and only component unit. The criteria used to determine the scope of the reporting entity includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters.

Accounting Policies

The District's accounting and reporting policies conform to the generally accepted accounting principles as applicable to state and local governments.

The following is a summary of the more significant policies:

Basis of Presentation

The statement of Net Position and Statement of Activities display information about the reporting District as a whole.

The District is comprised of only one fund, the Enterprise Fund. Enterprise funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flows. All assets and liabilities are included on the Statement of Net Position.

Basis of Accounting

The District Statement of Net Position and Statement of Activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset is used. Revenues, expenses, gains, losses, asset and liabilities resulting from an exchange are recognized when the exchange takes place.

When an expense is incurred for the purpose for which both restricted and unrestricted net position are available, the District's policy is to apply restricted net position first.

Budget

The annual budget is prepared in accordance with the basis of accounting utilized by the District. The budget is amended from time-to-time as the need arises and is approved by the Board of Directors. The budget is not legally required and therefore budget to actual information has not been presented.

#### Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the District considers both operating and restricted cash balances purchased with maturities of less than ninety days to be cash and cash equivalents.

#### Deposits and Investments

It is the District's policy for deposits and investments to either be insured by the FDIC or collateralized. The District's deposits and investments are categorized to give an indication of the level of risk assumed by the District as of June 30, 2020 and 2019. The categories are described as follows:

- Category 1 Insured, registered or collateralized, with securities held by the entity or its agent in the entity's name.
- Category 2 Uninsured and unregistered or collateralized, with securities held by the counter party's trust department or agent in the entity's name.
- Category 3 Uninsured and unregistered, or uncollateralized, with securities held by the counter party, or its trust department or agent but not held in the entity's name.

Deposits and investments as of June 30, 2020 and 2019 consisted of Category 1 type only.

#### Accounts Receivables

Accounts receivable represent amounts owed the District by its customers. The District has adopted stringent collection and water shut-off policies which minimize uncollectible accounts. No allowance for doubtful accounts is made because management believes almost all accounts are collectible and any allowance would be immaterial for financial statement presentation. Accounts deemed uncollectible are expensed when recognized and assigned to a collection agency for potential recovery.

### Property Taxes

Property taxes received by Calpella County Water District consist of general taxes. General property taxes represent the portion of Ad Valorem taxes received by Calpella County Water District as determined by their tax allocation factor. This tax revenue is available for general District use.

### Investment Policy

It is the policy of the District to invest funds in a manner that will provide the highest return with maximum security while still meeting the daily cash flow demands of the District. All investments must conform to the requirements of California Government Code Sections 5921 and 53601. All investments are in the form of Inactive Public Deposits or Certificates of Deposit and the balances indicated on the balance sheet as investments, restricted and unrestricted, approximate market value.

### Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### Risk Management

The District is exposed to various risks of loss related to torts, theft to, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The District carries insurance for all risks. Settled claims resulting from these risks have not exceeded insurance coverage in the past three years.

### Property, Plant and Equipment

Property, plant and equipment are valued at historical cost or at an estimate of their historical cost, if actual historical cost is not available. Donated assets are valued to their estimated fair value on the date donated. Assets with a value of \$1,000 or less are expensed in the year acquired.

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. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Depreciation of all exhaustible fixed assets used by Proprietary Funds is charged as an expense against their operations. Accumulated depreciation is reported on Proprietary Fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

Treatment facilities and distribution system	10-40 years
Office equipment	10 years

### Proprietary Fund Financial Statements

The District has a sole fund which is considered a proprietary fund.

Proprietary Fund Financial Statements include a Statement of Net Position, A Statement of Activities and Changes in Net Position, and a Statement of Cash Flows for each proprietary fund.

Proprietary funds are accounted for using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or non-current) are included on the Statement of Net Position. The Statement of Activities and Changes in Net Position presents increases (revenues) and decreases (expenses) in total 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 the liability is incurred. In these funds, receivables have been recorded as revenue and provisions have been made for uncollectible amounts.

Operating revenues in the proprietary fund are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

Note 2 - Cash

As of June 30, 2020 and 2019 cash consisted as follows:

	<u>2020</u>	<u>2019</u>
Cash		
General operations	\$ 164,846	\$ 127,193
Money market account	108,439	108,276
Petty cash	<u>250</u>	<u>300</u>
Total Cash	<u>\$ 273,535</u>	<u>\$ 233,574</u>

As of June 30, 2020, the District's deposits with financial institutions were \$23,634 in excess of federal depository insurance limits. The deposits approximate fair market value.

Note 3 - Property, Plant and Equipment

The following is a summary of the changes in property, plant and equipment for the fiscal year:

	Balance <u>7/1/19</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>6/30/20</u>
Land	\$ 11,538	\$	\$	\$ 11,538
Treatment facilities and distribution system	2,653,329			2,653,329
Office equipment	560			560
Construction in progress	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total cost	2,665,427		0	2,665,427
Less accumulated depreciation	<u>(1,755,859)</u>	<u>(60,032)</u>	<u>0</u>	<u>(1,815,891)</u>
Net Book Value	<u>\$ 909,568</u>	<u>\$ (60,032)</u>	<u>\$ 0</u>	<u>\$ 849,536</u>

Depreciation expense of \$60,032 and \$61,612 were recorded as operating expense for the years ended June 30, 2020 and 2019 respectively.

Note 4 - Joint Powers Agreements

The District participates in a joint venture under a joint powers (JPA) with the Association of California Water Agencies/Joint Powers Insurance Authority (ACWA/JPIA) for insurance purposes. ACWA/JPIA is a joint powers agency formed pursuant to Section 6500 et. Seq., California Government Code, is comprised of California special districts, and agencies including such districts. The relationship between the District and JPA is such that the JPA is not a component unit of the District for financial reporting purposes. Separate financial statements of the JPA can be obtained by writing to them directly at ACWA Joint Powers Insurance Authority, 5620 Birdcage Street, Suite 200, Citrus Heights, CA 95610-7632. ACWA/JPIA's purpose is to jointly fund and develop programs to provide comprehensive and economical risk financing for water districts. These programs are provided through collective self-insurance; the purchase of insurance coverage's; or a combination thereof.

During the year the District joined and will participate in the future in a joint venture under a joint powers (JPA) with the Upper Russian River Water Agency (URRWA) in order to provide more effective and economical services to their customers and to respond in union to water issues in the Upper Russian River Watershed. URRWA is a joint powers agency formed pursuant to Section 6500 et. Seq., California Government Code, is comprised presently of four California special districts. The relationship between the District and JPA is such that the JPA is not a component unit of the District for financial reporting purposes. Additional information can be obtained by writing to them directly at URRWA, 151 Laws Avenue, Ukiah CA 95482.

Note 5 - Subsequent Events

Subsequent events are those events or transactions that occur subsequent to the effective date of the financial statements, but prior to the issuance of the final reports, which may have a material effect on the financial statement or disclosures therein.

There are no subsequent events that have occurred through August 26, 2020 that meet the above definition.

SUPPLEMENTARY INFORMATION

CALPELLA COUNTY WATER DISTRICT  
COMBINING STATEMENT OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	Sewer	Water	Totals	
			2020	2019
<u>Operating Revenues</u>				
Sales	\$ 134,032	\$ 182,010	\$ 316,042	\$ 302,547
Total Operating Revenue	134,032	182,010	316,042	302,547
<u>Operating Expenses</u>				
Contract/Personnel services	56,099	56,099	112,198	95,044
Purchased water		85,428	85,428	59,710
Supplies	4,670	-	4,670	5,048
Repairs and maintenance	7,874	3,040	10,914	12,949
Utilities	12,454	19,175	31,629	26,754
Directors fees	720	720	1,440	1,600
Permits and fees	19,367	6,222	25,589	13,912
Insurance	2,317	1,140	3,457	4,096
Office expense	513	753	1,266	973
Professional fees	4,483	4,221	8,704	8,889
Licenses and fees	2,311	1,615	3,926	3,809
Testing	10,120	3,610	13,730	11,135
Postage	437	536	973	812
Rent	-	-	-	1,130
Merchant fees		618	618	
Election costs	305	305	610	915
Depreciation	30,016	30,016	60,032	61,612
Total Operating Expenses	151,686	213,498	365,184	308,388
Operating Income (Loss)	(17,654)	(31,488)	(49,142)	(5,841)
<u>Non-Operating Revenues (Expenses)</u>				
Interest income	120	120	240	187
Tax revenue	18,996		18,996	19,179
Late payment penalties	774	771	1,545	3,410
Miscellaneous income (expense)	-	-	-	89
Interest expense	-	-	-	(56)
Total Non-Operating Revenues (Expenses)	19,890	891	20,781	22,809
Net Income (Loss)	\$ 2,236	\$ (30,597)	\$ (28,361)	\$ 16,968

The accompanying notes are an integral part of these statements