

WILLOW COUNTY WATER DISTRICT

FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

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FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022

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Board of Directors  
Willow County Water District  
Ukiah, CA 95482

### Independent Auditor's Report

#### **Opinions**

I have audited the accompanying financial statements of the business-type activities Willow County Water District as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Willow County Water District's basic financial statements as listed in the table of contents. In my opinion, except for the effects of the matter described in the "Basis for Qualified Opinion" paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Willow County Water District as of June 30, 2023 and 2022 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.

#### **Basis for Qualified Opinion**

Management has not adopted GASB Statement 68 "Accounting and Financial Reporting of Pension Plans." and amendments to GASB 68". Accounting principles generally accepted in the United States of America require that Deferred Inflows/Outflows and Adjusted Pension Expense be recorded currently which would increase the assets and liabilities and change the pension expense. The effect on Deferred Inflows/Outflows and payroll and employee benefits expenses has not been determined. See Footnote 4 for more detail.

#### **Basis for Opinions**

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. 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 Willow County Water 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 Willow County Water District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### **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 generally accepted 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.

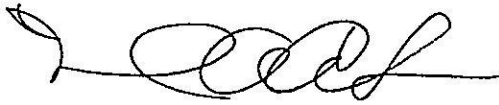
In performing an audit in accordance with generally accepted auditing standards, I:

- 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 Willow County Water District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Willow County Water 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 we identified during the audit.

**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.

A handwritten signature in black ink, appearing to read 'M. Celentano', with a stylized flourish at the end.

Michael A Celentano  
Certified Public Accountant

October 9, 2023

WILLOW COUNTY WATER DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2023 AND 2022

<u>ASSETS</u>	<u>2023</u>	<u>2022</u>
<u>Current Assets</u>		
Cash in bank - Note 2	\$ 911,935	\$ 848,142
Accounts receivable	187,047	167,375
Prepaid expenses	<u>1,243</u>	<u>1,521</u>
Total Current Assets	1,100,225	1,017,038
<u>Capital Assets - Note 3</u>		
	<u>1,424,915</u>	<u>1,483,811</u>
Total Assets	<u>\$ 2,525,140</u>	<u>\$ 2,500,849</u>
<u>LIABILITIES</u>		
<u>Current Liabilities</u>		
Accounts payable	\$ 57,255	\$ 60,394
Refundable customer deposits	<u>21,437</u>	<u>20,305</u>
Total Current Liabilities	78,692	80,699
<u>Long Term Liabilities</u>		
Net Pension Liabilities - Note 4	<u>301,207</u>	<u>(11,352)</u>
Total Long Term Liabilities	<u>301,207</u>	<u>(11,352)</u>
Total Liabilities	<u>\$ 379,899</u>	<u>\$ 69,347</u>
<u>Net Position</u>		
Investment in capital assets	\$ 1,424,915	\$ 1,483,811
Unrestricted	<u>720,326</u>	<u>947,691</u>
Net Position	<u>\$ 2,145,241</u>	<u>\$ 2,431,502</u>

The accompanying notes are an integral part of these statements

WILLOW COUNTY WATER DISTRICT  
STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION  
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
<u>Operating Revenues</u>		
Water sales	\$ 720,933	\$ 708,926
Other operating income	<u>1,402,565</u>	<u>1,445,361</u>
Total Operating Revenue	2,123,498	2,154,287
<u>Operating Expenses</u>		
Salaries	911,543	959,023
Employee benefits	445,602	520,156
Liability insurance	31,139	32,435
Office Expense	32,405	23,344
Professional services	59,657	60,213
Travel	40,973	44,934
Supplies and meters	23,948	46,994
Repairs and maintenance	137,201	164,268
Utilities	168,211	143,344
Water testing	10,530	4,600
Telephone	16,835	16,886
Permits and fees	19,028	19,023
Purchased water	24,205	27,965
Director's fees	825	300
Dues	31,080	29,207
Uncollectible accounts	26	108
Other	9,451	9,215
Depreciation	<u>120,393</u>	<u>120,228</u>
Total Operating Expenses	<u>2,083,052</u>	<u>2,222,243</u>
Operating Income (Loss)	40,446	(67,956)
<u>Non-Operating Revenues (Expenses)</u>		
Rental income	5,556	11,119
Interest income	548	659
(Increase)Decrease in actuarial assumptions for PERS	<u>(332,811)</u>	<u>184,986</u>
Total Non-Operating Revenues (Expenses)	<u>(326,707)</u>	<u>196,764</u>
Net Income	(286,261)	128,808
Net Position, Beginning of Year	<u>2,431,502</u>	<u>2,302,694</u>
Net Position, Ending of Year	<u>\$ 2,145,241</u>	<u>\$ 2,431,502</u>

The accompanying notes are an integral part of these statements

WILLOW COUNTY WATER DISTRICT  
STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
<u>Cash Flows From Operating Activities</u>		
Cash received from customers	\$ 706,418	\$ 731,301
Other operating cash receipts	1,397,408	1,450,206
Payments to suppliers for goods and services	(607,243)	(536,790)
Payments to employees and related items	<u>(1,357,145)</u>	<u>(1,479,179)</u>
Net Cash Provided By Operating Activities	139,438	165,538
<u>Cash Flows From Capital Financing Activities</u>		
Acquisition of capital assets	(61,497)	(323,172)
Rental income	<u>5,556</u>	<u>11,119</u>
Net Cash Provided (Used) By Capital Financing Activities	(55,941)	(312,053)
<u>Cash Flows From Investing Activities</u>		
Interest received	548	659
Payment of unfunded pension liability	<u>(20,252)</u>	<u>(17,159)</u>
Net Cash Provided By Investing Activities	<u>(19,704)</u>	<u>(16,500)</u>
Net Increase (Decrease) In Cash and Cash Equivalents	63,793	(163,015)
<u>Cash - Beginning of Year</u>	<u>848,142</u>	<u>1,011,157</u>
<u>Cash - Ending of Year</u>	<u>\$ 911,935</u>	<u>\$ 848,142</u>

The accompanying notes are an integral part of these statements



WILLOW COUNTY WATER DISTRICT  
STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

<u>Reconciliation of Operating Income</u> <u>to Net Cash Provided by Operating Activities</u>	<u>2023</u>	<u>2022</u>
Operating income (loss)	\$ 40,446	\$ (67,956)
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation	120,393	120,228
(Increase) decrease in current assets:		
Accounts receivable	(19,672)	27,220
Prepaid expenses	278	59,445
Increase (decrease) in current liabilities		
Accounts payable	(3,139)	22,041
Refundable customer deposits	<u>1,132</u>	<u>4,560</u>
Net Cash Provided by Operating Activities	<u>\$ 139,438</u>	<u>\$ 165,538</u>

The accompanying notes are an integral part of these statements

WILLOW COUNTY WATER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

The District provides treated water to the geographic area located in the southern part of the Ukiah valley outside the city limits, and limited to a supply of water restricted, currently, to water wells situated along the Russian River. The reporting entity consists of the District as the primary, and only, reporting entity. 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 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, 2023 and 2022. 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, 2023 and 2022 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.

### 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.

### Compensated Absences

The District has a policy of paying for sick leave and vacation pay after one year of service. Vacation pay is the only type of compensated absence that becomes vested but any remaining accrued vacation is automatically paid on June 30 of each year, therefore there is no accrued vacation pay at the end of each fiscal year. Sick leave does not meet the requirements for accrual as established by generally accepted accounting standards for governmental entities. Each of these types of compensated absences is recorded as operating expense in the period taken.

### 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 \$5,000 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:

Office building and improvements	10-40 years
Treatment facilities and Distribution system	5-40 years
Equipment and tools	3-30 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 and Investments

As of June 30, 2023 and 2022 cash consisted as follows:

	<u>2023</u>	<u>2022</u>
Cash		
General checking	\$ 663,347	\$ 557,160
Construction account	185,173	160,914
Payroll account	63,165	129,818
Petty Cash	<u>250</u>	<u>250</u>
Total Cash	<u>\$ 911,935</u>	<u>\$ 848,142</u>

As of June 30, 2023 and June 30, 2022, the District's deposits with financial institutions were \$ 679,692 and \$ 578,433 in excess of federal depository insurance limits, respectively.. The deposits approximate fair market value.

State law requires uninsured deposits of public agencies to be secured by certain state approved investment securities. The District's deposits are secured as part of an undivided collateral pool covering all public deposits with the financial institution. The market value of the pool must be equal to at least 110% of the total public deposits held by the financial institutions.

Note 3 - Property, Plant and Equipment

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

	<u>Balance</u> <u>7/1/22</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/23</u>
Land	\$ 85,870	\$	\$	\$ 85,870
Office buildings and improvements	211,839			211,839
Treatment facilities and Distribution system	3,238,276	61,497		3,299,773
Equipment and tools	562,427			562,427
Construction in progress	<u>180</u>	<u>0</u>	<u>0</u>	<u>180</u>
Total cost	4,098,592	61,497	0	4,160,089
Less accumulated depreciation	<u>(2,614,781)</u>	<u>(120,393)</u>	<u>0</u>	<u>(2,735,174)</u>
Net Book Value	<u>\$ 1,483,811</u>	<u>\$ ( 58,896)</u>	<u>\$ 0</u>	<u>\$ 1,424,915</u>

Depreciation expense of \$120,393 and \$20,228 were recorded as operating expense for the years ended June 30, 2023 and 2022, respectively.

Note 4 - Defined Benefit Pension Plan (Unaudited)

Effective July 1, 2006, the District entered into the Public Employees Retirement System (PERS). Qualified employees are covered under a multiple-employer defined benefit pension plan maintained by an agency of the State of California. Employees are members of the Public Employees' Retirement System.

Plan Description: The District contributes to the PERS, an agent multiple-employer public employee defined benefit plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and district ordinance. Copies of PERS' annual financial report may be obtained from their Executive Office, 400 P Street, Sacramento, CA 95814.

Funding Policy: Participants are required to contribute 8% of their annual covered salary. The District makes the contributions required of District employees on their behalf and for their account. The District is required to contribute at an actuarially determined rate; the current rate for June 30, 2023 was 12.50% for non-safety employees and 7.65% for PEPRAs of annual covered payroll plus an employer payment of \$20,252 for unfunded liability.

The rate for June 30, 2024 will be 13.95% for the non-safety plan and 7.91% for PEPRA plus an employer payment of \$1,754 for unfunded liability. The contribution requirements of plan members and the District are established and may be amended by PERS.

Annual Pension Cost: For June 30, 2023, the District's annual pension cost of \$74,233 for PERS was equal to the District's required and actual contributions. The required contribution was determined as part of the June 30, 2020 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.00% investment rate return of (net of administrative expenses), (b) projected annual salary increases that vary by duration of service, and (c) 2.75% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 2.50%. The actuarial value of PERS assets was determined by an amortization policy that will pay for all gains and losses over a fixed 20-year period. The required and actual contribution rate for June 30, 2023 was determined as part of the June 30, 2020 actuarial valuation in which PERS using the same assumptions as above.

Three-Year Trend Information For PERS

Fiscal Year	Annual Pension Cost (APC)	Percentage of PC Contributed	Net Pension Obligation
6/30/21	83,179	100%	0
6/30/22	78,753	100%	0
6/30/23	74,233	100%	0

The tables below show a three-year analysis of the actuarial accrued liability, the plan's share of the pool's market value of assets, plan's share of the pool's unfunded liability, funded ratio and the annual covered payroll as of June 30:

Valuation Date	Accrued Liability	Shared Mkt Value/Assets	Unfunded Liability	Funded Ratio	Covered Payroll
<b>Classic</b>					
6/30/20	1,268,696	1,087,376	181,317	85.7%	475,437
6/30/21	1,583,873	1,572,229	11,644	99.3%	305,619
6/30/22	1,722,136	1,487,785	254,371	88.2%	256,967
<b>PEPRA</b>					
6/30/20	152,221	142,745	9,476	93.8%	452,740
6/30/21	273,898	296,894	(22,996)	108.4%	515,509
6/30/22	420,526	373,890	46,836	88.9%	597,423

Note 5 - Joint Powers Agreement

The District participates in a joint venture under 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.

The District participates 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 6 - 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 October 9, 2023 that meet the above definition.