

CALPELLA COUNTY WATER DISTRICT

FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

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FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

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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 year ended June 30, 2018, 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, 2018, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

September 5, 2018

CALPELLA COUNTY WATER DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2018 AND 2017

<u>ASSETS</u>	<u>2018</u>	<u>2017</u>
<u>Current Assets</u>		
Cash in bank - Note 2	\$ 235,474	\$ 159,125
Accounts receivable	28,456	17,882
Taxes receivable	1,474	1,385
Prepaid expenses	<u>2,196</u>	<u>2,195</u>
Total Current Assets	267,600	180,587
<u>Non Current Assets</u>		
Restricted for capital improvements		
Cash in banks - Note 2	<u>1,900</u>	<u>1,900</u>
Total Non Current Assets	1,900	1,900
<u>Capital Assets - Note 3</u>	<u>901,086</u>	<u>1,000,984</u>
Total Assets	<u>\$ 1,170,586</u>	<u>\$ 1,183,471</u>
 <u>LIABILITIES</u>		
<u>Current Liabilities</u>		
Accounts payable	\$ 20,432	\$ 36,503
Accrued interest	19	38
Refundable customer deposits	3,420	2,810
Current portion of long term liabilities	<u>1,500</u>	<u>1,500</u>
Total Current Liabilities	25,371	40,851
<u>Long Term Liabilities - Note 4</u>	<u>-</u>	<u>1,500</u>
Total Liabilities	<u>\$ 25,371</u>	<u>\$ 42,351</u>
<u>Net Position</u>		
Investment in capital assets	\$ 899,586	\$ 997,984
Restricted for debt service and capital improvements		
- non expendable	1,900	1,900
Unrestricted	<u>243,729</u>	<u>141,236</u>
Net Position	<u>\$ 1,145,215</u>	<u>\$ 1,141,120</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, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<u>Operating Revenues</u>		
Sales	\$ 304,215	\$ 293,336
Total Operating Revenue	304,215	293,336
<u>Operating Expenses</u>		
Contract/Personnel services	89,388	89,910
Employee benefits	-	-
Purchased water	37,771	33,224
Supplies	5,194	4,666
Repairs and maintenance	7,022	16,632
Utilities	26,462	21,819
Directors fees	1,840	720
Permits and fees	14,234	-
Insurance	4,104	3,969
Office expense	282	1,322
Professional fees	9,323	9,140
Licenses and fees	3,123	16,004
Testing	9,557	10,558
Postage	1,514	506
Election costs	330	-
Depreciation	59,816	59,169
Total Operating Expenses	269,960	267,639
Operating Income (Loss)	34,255	25,697
<u>Non-Operating Revenues (Expenses)</u>		
Interest income	96	51
Tax revenue	19,039	18,550
Late payment penalties	1,642	1,709
Miscellaneous income (expense)	775	179
Loss on abandonment of construction projects from prior years	(51,581)	
Interest expense	(131)	(206)
Total Non-Operating Revenues (Expenses)	(30,160)	20,283
Net Income (Loss)	4,095	45,980
Net Position, Beginning of Year	1,141,120	1,095,140
Net Position, Ending of Year	<u>\$ 1,145,215</u>	<u>\$ 1,141,120</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, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<u>Cash Flows From Operating Activities</u>		
Cash received from customers	\$ 293,641	\$ 301,257
Payments to suppliers for goods and services	(136,218)	(98,979)
Payments to employees and related items	<u>(89,388)</u>	<u>(89,910)</u>
Net Cash Provided (Used) by Operating Activities	68,035	112,368
<u>Cash Flows From Non-Capital Financing Activities</u>		
Tax revenues received	18,950	18,553
Late payment penalties	1,642	1,709
Other non operating revenue (expense)	<u>775</u>	<u>179</u>
Net Cash Provided From Non-Capital Financing Activities	21,367	20,441
<u>Cash Flows From Capital Financing Activities</u>		
Payments for capital assets	(11,499)	(19,174)
Principal payments on long term liabilities	(1,500)	(1,500)
Interest paid	<u>(150)</u>	<u>(224)</u>
Net Cash Provided (Used) by Capital Financing Activities	(13,149)	(20,898)
<u>Cash Flows From Investing Activities</u>		
Interest received	<u>96</u>	<u>51</u>
Net Cash Provided From Investing Activities	<u>96</u>	<u>51</u>
Net Increase (Decrease) in Cash and Cash Equivalents	76,349	111,962
<u>Cash - Beginning of Year</u>	<u>161,025</u>	<u>49,063</u>
<u>Cash - Ending of Year</u>	<u>\$ 237,374</u>	<u>\$ 161,025</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, 2018 AND 2017

<u>Reconciliation of Operating Income</u> <u>to Net Cash Provided by Operating Activities</u>	<u>2018</u>	<u>2017</u>
Operating income (loss)	\$ 34,255	\$ 25,697
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation	59,816	59,169
(Increase) decrease in current assets:		
Accounts receivable	(10,574)	7,921
Prepaid expenses	(1)	651
Increase (decrease) in current liabilities		
Accounts payable	(16,071)	19,374
Customer deposits	<u>610</u>	<u>(444)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 68,035</u>	<u>\$ 112,368</u>

The accompanying notes are an integral part of these statements

CALPELLA COUNTY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

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, 2018 and 2017. 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, 2018 and 2017 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, 2018 and 2017 cash consisted as follows:

	<u>2018</u>	<u>2017</u>
Cash		
General operations	\$ 228,911	\$ 152,566
Money market account	8,163	8,159
Petty cash	<u>300</u>	<u>300</u>
	235,474	161,025
Allocated to restricted assets	<u>1,900</u>	<u>1,900</u>
 Total Cash	 <u>\$ 233,574</u>	 <u>\$ 159,125</u>

All above deposits are either insured or collateralized. 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:

	Balance <u>7/1/17</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>6/30/18</u>
Land	\$ 11,538	\$	\$	\$ 11,538
Treatment facilities and distribution system	2,571,736	11,499		2,586,235
Office equipment	560			560
Construction in progress	<u>51,581</u>	<u>0</u>	<u>(51,581)</u>	<u>0</u>
Total cost	2,635,415	11,499	(51,581)	2,595,333
Less accumulated depreciation	<u>(1,644,431)</u>	<u>(59,816)</u>	<u>0</u>	<u>(1,694,247)</u>
Net Book Value	<u>\$ 1,000,984</u>	<u>\$ (48,317)</u>	<u>\$ (51,581)</u>	<u>\$ 901,086</u>

Depreciation expense of \$59,816 and \$59,169 were recorded as operating expense for the years ended June 30, 2018 and 2017, respectively.

Note 4 - Sewer Revenue Bonds Payable

The District sold Sewer Revenue Bonds to purchase treatment facilities and distribution system. The Bonds are payable in semi annual installments (April 1 and October 1), principal due annually (April 1) at an interest rate of 5% per annum. The Bonds mature April 1, 2019. The Bonds are secured by a pledge of the District's net revenues.

Future minimum principal and interest payments are as follows:

Year ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2019	<u>1,500</u>	<u>75</u>
	1,500	<u>\$ 75</u>
Less: current portion	<u>1,500</u>	
	<u>\$ 0</u>	

Interest expense of \$131 and \$206 were recorded as non operating expense for the years ended June 30, 2018 and 2017, respectively.

Note 5 - Changes in Long Term Debt

The following is a summary of long term debt for the year ended June 30, 2017:

Type of <u>Debt</u>	Balance <u>07/01/17</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>06/30/18</u>	Due Within One <u>Year</u>
Sewer Revenue Bonds	<u>\$ 3,000</u>	<u>\$ 0</u>	<u>\$ 1,500</u>	<u>\$ 1,500</u>	<u>\$1,500</u>

Note 6 - 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 7 - Contingencies

The District participated in Federal financial assistance programs for the repairs caused due to a storm. The programs are subject to financial and compliance audits by the grantor or their representatives, the purpose of which is to insure compliance with conditions precedent to the granting of the funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

Note 8 - 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 September 5, 2018 that meet the above definition.

SUPPLEMENTARY INFORMATION

CALPELLA COUNTY WATER DISTRICT
COMBINING STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

			Totals	
	Sewer	Water	2018	2017
<u>Operating Revenues</u>				
Sales	\$ 134,753	\$ 169,462	\$ 304,215	\$ 293,336
 Total Operating Revenue	 134,753	 169,462	 304,215	 293,336
<u>Operating Expenses</u>				
Contract/Personnel services	44,694	44,694	89,388	89,910
Purchased water		37,771	37,771	33,224
Supplies	5,194	-	5,194	4,666
Repairs and maintenance	4,141	2,881	7,022	16,632
Utilities	12,819	13,643	26,462	21,819
Directors fees	920	920	1,840	720
Permits and fees	7,965	6,269	14,234	-
Insurance	2,601	1,503	4,104	3,969
Office expense	66	216	282	1,322
Professional fees	4,974	4,349	9,323	9,140
Licenses and fees	1,805	1,318	3,123	16,004
Testing	8,406	1,151	9,557	10,558
Postage	705	809	1,514	506
Election costs	165	165	330	-
Depreciation	29,908	29,908	59,816	59,169
 Total Operating Expenses	 <u>124,363</u>	 <u>145,597</u>	 <u>269,960</u>	 <u>267,639</u>
 Operating Income (Loss)	 10,390	 23,865	 34,255	 25,697
<u>Non-Operating Revenues (Expenses)</u>				
Interest income	48	48	96	51
Tax revenue	19,039		19,039	18,550
Late payment penalties	756	886	1,642	1,709
Miscellaneous income (expense)	-	775	775	179
Loss on abandonment of construction projects from prior years	(51,581)		(51,581)	
Interest expense	(131)	-	(131)	(206)
 Total Non-Operating Revenues (Expenses)	 <u>(31,869)</u>	 <u>1,709</u>	 <u>(30,160)</u>	 <u>20,283</u>
 Net Income (Loss)	 <u>\$ (21,479)</u>	 <u>\$ 25,574</u>	 <u>\$ 4,095</u>	 <u>\$ 45,980</u>

The accompanying notes are an integral part of these statements