

HOPLAND PUBLIC UTILITY DISTRICT

FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

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Board of Directors
Hopland Public Utility District
Ukiah, CA 95482

Independent Auditor's Report

I have audited the accompanying financial statements of the business-type activities of Hopland Public Utility 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 Hopland Public Utility 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 Hopland Public Utility 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 27, 2020

HOPLAND PUBLIC UTILITY 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	\$ 817,234	\$ 741,921
Accounts receivable	59,062	55,206
Prepaid insurance	<u>7,793</u>	<u>6,069</u>
Total Current Assets	884,089	803,196
<u>Non Current Assets</u>		
Restricted		
Cash in banks - Note 3	<u>84,000</u>	<u>84,000</u>
Total Non Current Assets	84,000	84,000
<u>Capital Assets - Note 4</u>	<u>1,923,330</u>	<u>2,000,857</u>
Total Assets	<u>\$ 2,891,419</u>	<u>\$ 2,888,053</u>

The accompanying notes are an integral part of these statements

HOPLAND PUBLIC UTILITY DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2020 AND 2019

<u>LIABILITIES</u>	<u>2020</u>	<u>2019</u>
<u>Current Liabilities</u>		
Accounts payable	\$ 22,307	\$ 23,040
Customer deposits	13,695	13,015
Accrued interest	12,100	12,730
Current portion of long-term liabilities	<u>33,000</u>	<u>31,500</u>
 Total Current Liabilities	 81,102	 80,285
<u>Deferred Inflows of Resources</u>		
Prepaid connection fees	<u>30,750</u>	<u>30,750</u>
 Total Deferred Inflow of Resources	 30,750	 30,750
<u>Long Term Liabilities</u>		
Loan payable - RUS - Note 5	<u>1,018,908</u>	<u>1,070,975</u>
	1,018,908	1,070,975
Less: Current portion shown above	<u>33,000</u>	<u>31,500</u>
 Total Long Term Liabilities	 <u>985,908</u>	 <u>1,039,475</u>
 Total Liabilities	 <u>\$ 1,097,760</u>	 <u>\$ 1,150,510</u>
<u>Net Position</u>		
Investment in capital assets	\$ 904,422	\$ 929,882
Restricted for debt service - non expendable	84,000	84,000
Unrestricted	<u>775,237</u>	<u>723,661</u>
 Net Position	 <u>\$ 1,763,659</u>	 <u>\$ 1,737,543</u>

The accompanying notes are an integral part of these statements

HOPLAND PUBLIC UTILITY 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>		
Water sales	\$ 248,748	\$ 223,913
Sewer charges	281,485	279,592
Account service charges	5,339	6,435
Other operating revenue	<u>2,008</u>	<u>-</u>
 Total Operating Revenue	 537,580	 509,940
<u>Operating Expenses</u>		
Service Agreements	176,682	169,885
Benefits	7,246	6,920
Utilities	41,333	41,569
Purchased water	7,449	8,836
Repairs and maintenance	35,300	10,541
Contractual services	8,907	10,990
Office expense	4,918	4,999
Insurance	6,542	6,179
Monitoring	13,327	11,617
Rents and leases	450	550
Supplies	7,462	6,423
Telephone	3,254	2,644
Legal fees	160	-
Dues and subscriptions and licenses	24,935	22,063
Directors fees	5,064	4,220
Other operating expenses	488	-
Depreciation	<u>135,527</u>	<u>134,238</u>
 Total Operating Expenses	 <u>479,044</u>	 <u>441,674</u>
 Operating Income	 58,536	 68,266
<u>Non-Operating Revenues (Expenses)</u>		
Interest income	422	386
Connetion fees	47,339	
Interest expense	<u>(50,181)</u>	<u>(52,271)</u>
 Total Non-Operating Revenues (Expenses)	 <u>(2,420)</u>	 <u>(51,885)</u>
 Net Income (Loss)	 56,116	 16,381
<u>Net Position, July 1</u>	<u>1,737,543</u>	<u>1,721,162</u>
<u>Net Position, June 30</u>	<u>\$ 1,793,659</u>	<u>\$ 1,737,543</u>

The accompanying notes are an integral part of these statements

HOPLAND PUBLIC UTILITY DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
<u>Cash Flows From Operating Activities</u>		
Cash received from customers	\$ 533,724	\$ 507,613
Payments to suppliers for goods and services	(169,448)	(145,013)
Payments to employees and contractor and related items	(175,846)	(169,647)
Net Cash Provided by Operating Activities	188,430	192,953
<u>Cash Flows From Capital and Related Financing Activities</u>		
Connection fess	47,339	
Additions to property, plant and equipment	(58,000)	-
Principal payments on the long term liabilities	(52,067)	(42,025)
Interest paid	(50,811)	(52,758)
Net Cash Flows (Used) by Capital and Related Financing Activities	(113,539)	(94,783)
<u>Cash Flows From Non Capital and Related Financing Activities</u>		
Net Cash Provided by Non Capital and Related Financing Activities	-	-
<u>Cash Flows From Investing Activities</u>		
Interest income	422	386
Decrease in restricted cash	-	-
Net Cash Flows Provided by Investing Activities	422	386
Net Change in Cash and Cash Equivalents	75,313	98,556
<u>Cash and Cash Equivalents, July 1,</u>	741,921	643,365
<u>Cash and Cash Equivalents, June 30</u>	\$ 817,234	\$ 741,921
<u>Supplemental Disclosures:</u>		
Interest Paid During the Year	\$ 50,181	\$ 52,271

The accompanying notes are an integral part of these statements

HOPLAND PUBLIC UTILITY DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

<u>Reconciliation of Operating Income (Loss)</u> <u>to Net Cash (Used) by Operating Activities</u>	<u>2020</u>	<u>2019</u>
Operating income	\$ 58,536	\$ 68,266
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation	135,527	134,238
Changes in assets and liabilities		
(Increase) Decrease in:		
Accounts receivable	(3,856)	(2,327)
Prepaid insurance	(1,724)	(390)
Increase (Decrease) in:		
Accounts payable	(733)	(8,814)
Customer deposits	<u>680</u>	<u>1,980</u>
Net Cash Provided by Operating Activities	<u>\$ 188,430</u>	<u>\$ 192,953</u>

The accompanying notes are an integral part of these statements

HOPLAND PUBLIC UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

Note 1 -

Organization

Organized September 20, 1950 as a independent special district, Hopland Public Utility District (the "District") provides sewer and water service to the community of Hopland, California.

An election five member Board of Directors establishes policy for the District. The conduct of day to day maintenance and operations is the responsibility of the General Manager.

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.

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.

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.

Cash and Cash Equivalents

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

Accounts Receivable

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.

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.

Property, Plant and Equipment

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

Depreciation of plant, property and equipment is recorded as an expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the estimated useful lives using the straight-line method of accounting. The ranges of estimated useful lives are as follows:

Facilities	15-40 years
Equipment	5-15 years
Vehicles	5 years

Prepaid Connection Fees

The District has received hookup fees for sewer and water in exchange for the right to connect to those systems at some unspecified future dates. It is not anticipated that these hookups will be completed in the near future; accordingly, amounts received are presented as deferred inflow of resources. Revenue will be recognized at the time connections are completed.

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.

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 and investments consisted as follows:

	<u>2020</u>	<u>2019</u>
Cash		
General operations	\$700,200	\$640,199
Savings accounts	200,784	185,522
Petty cash	<u>250</u>	<u>200</u>
	901,234	727,365
Allocated to restricted cash	<u>84,000</u>	<u>84,000</u>
Total Cash	<u>\$817,234</u>	<u>\$741,921</u>

As of June 30, 2020, the District's deposits with financial institutions were \$647,435 in excess of federal depository insurance limits .the cash above are considered for purposes of the Statement of Cash Flows as cash and cash equivalents. The deposits approximate fair market value.

Note 3 - Cash – Restricted

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

	<u>2020</u>	<u>2019</u>
Savings accounts	<u>\$84,000</u>	<u>\$84,000</u>
Total Cash– Restricted	<u>\$84,000</u>	<u>\$84,000</u>

Cash, which by board designation, required by loan agreement with USDA Rural Development, is, specified for a purpose other than for general operational use by the District remains under this category. As of June 30, 2020 and 2019, restricted assets are comprised of cash to be used for debt service.

Note 4 - 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>7/1/19</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/20</u>
Land & land rights	\$ 151,750	\$	\$	\$ 151,750
Facilities	4,435,556	58,000		4,493,556
Construction in progress	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total cost	4,587,306	58,000	0	4,645,306
Less accumulated depreciation	<u>(2,586,449)</u>	<u>(135,527)</u>	<u>0</u>	<u>(2,721,976)</u>
Net Book Value	<u>\$ 2,000,857</u>	<u>\$ (77,527)</u>	<u>\$ 0</u>	<u>\$ 1,923,330</u>

Depreciation expense of \$135,527 and \$134,238 were charged as an operating expense for the years ended June 30, 2020 and 2019, respectively.

Note 5 - Loan Payable - RUS

The loan payable is with the Rural Development – Rural Utility Service (RUS) which is a service of the USDA Rural Development. The original loan was for \$1,489,000. Interest at the rate of 4.75% per annum is payable each year on the first day of April and the first day of September. Principal is due on the first day of April.

The District must establish a separate debt service reserve in the amount at least equal to the average annual loan installment. This reserve will be accumulated at the rate of at least one-tenth of that average installment each year until the required level is reached. This reserve shall be maintained at least at the required level for life of

the loan. After the Debt Service reserve has reached this level, the District will deposit one-tenth of the average installment into a Renewal and Extension Fund. These transfers will continue for the life of the loan.

Future loan service requirements are as follows:

<u>Year</u> <u>Ending</u>	<u>Principal</u>	<u>Interest</u>
6/30/21	\$ 33,000	\$ 48,398
6/30/22	34,500	46,831
6/30/23	36,500	45,192
6/30/24	38,000	43,458
6/30/25	40,000	41,653
6/30/26-30	230,500	177,866
6/30/31-35	289,500	117,826
6/30/36-40	<u>316,908</u>	<u>42,158</u>
Totals	<u>\$1,018,908</u>	<u>\$ 563,382</u>

Interest expense of \$50,181 and \$52,271 were incurred and recorded as a non-operating expense for the years ended June 30, 2020 and 2019, respectively.

Note 6 - Changes in Long Term Debt

The following is a summary of long term debt for the year ended June 30, 2020:

<u>Type of</u> <u>Debt</u>	<u>Balance</u> <u>07/01/19</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06/30/20</u>	<u>Due</u> <u>Within</u> <u>One</u> <u>Year</u>
Water Loan	\$ <u>1,070,975</u>	\$ <u>0</u>	\$ <u>52,067</u>	\$ <u>1,018,908</u>	\$ <u>33,000</u>
	\$ <u>1,070,975</u>	\$ <u>0</u>	\$ <u>52,067</u>	\$ <u>1,018,908</u>	\$ <u>33,000</u>

Note 7 - Employees Retirement Plan (Defined Benefit Pension Plan)

The District in prior years participated in a cost-sharing multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). The District no longer has employees, it contracts with another District to supply all its labor needs. Due to an unfunded liability with CalPERS, the District is required to make payments to lower this liability based on an Annual Actuarial Valuation Report. As of June 30, 2020 the District's unfunded liability is \$ 80,002 which is based on the June 30, 2019 Annual Actuarial Valuation Report and has not been recorded as a liability as required by GASB 68 . The District made a payment of \$ 7,246 to CalPERS to lower this unfunded liability during the current year and this payment is reflected as an operating expense. This report is a publically

available valuation report that can be obtained at CalPERS' website under Forms and Publications.

Note 8 - Joint Powers Agreement

The District participates in a joint venture under a joint powers agreement (JPA) with the Special District Risk Management Authority (SDRMA) for insurance purposes. The SDRMA 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. The SDRMA's purpose is to jointly fund and develop programs to provide stable, efficient and long term risk financing for special districts. These programs are provided through collective self-insurance; the purchase of insurance coverage's; or a combination thereof.

Note 9 - 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 27, 2020 that meet the above definition.

SUPPLEMENTARY INFORMATION

**HOPLAND PUBLIC UTILITY DISTRICT
COMBINING STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

	Sewer	Water	Totals	
			2020	2019
<u>Operating Revenues</u>				
Water sales	\$ -	\$ 248,748	\$ 248,748	\$ 223,913
Sewer charges	281,485		281,485	279,592
Account service charges	1,452	3,887	5,339	6,435
Other operating revenue	465	1,543	2,008	-
Total Operating Revenue	283,402	254,178	537,580	509,940
<u>Operating Expenses</u>				
Service agreements	88,341	88,341	176,682	169,885
Benefits	3,623	3,623	7,246	6,920
Utilities	18,344	22,989	41,333	41,569
Purchased water		7,449	7,449	8,836
Repairs and maintenance	23,146	12,154	35,300	10,541
Contractual services	4,857	4,050	8,907	10,990
Office expense	2,222	2,696	4,918	4,999
Insurance	3,271	3,271	6,542	6,179
Monitoring	6,626	6,701	13,327	11,617
Rent and leases	225	225	450	550
Supplies	2,602	4,860	7,462	6,423
Telephone	1,627	1,627	3,254	2,644
Legal fees	80	80	160	-
Dues, subscriptions and licenses	20,384	4,551	24,935	22,063
Directors fees	2,621	2,443	5,064	4,220
Other operating expenses	244	244	488	-
Depreciation	67,763	67,764	135,527	134,238
Total Operating Expenses	245,976	233,068	479,044	441,674
Operating Income (Loss)	37,426	21,110	58,536	68,266
<u>Non-Operating Revenues (Expenses)</u>				
Interest income	172	250	422	386
Connection fees	13,732	33,607	47,339	
Interest expense	-	(50,181)	(50,181)	(52,271)
Total Non-Operating Revenues (Expenses)	13,904	(16,324)	(2,420)	(51,885)
Net Income (Loss)	\$ 51,330	\$ 4,786	\$ 56,116	\$ 16,381