

MILLVIEW COUNTY WATER DISTRICT

FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

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Board of Directors
Millview County Water District
Ukiah, CA 95482

Independent Auditor's Report

I have audited the accompanying financial statements of the business-type activities of Millview County Water District as of and for the year ended June 30, 2021 and 2020, 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.

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 be recorded currently which would increase the assets and liabilities. The effect on Deferred Inflows/Outflows has not been determined. See Footnote 6 for more detail.

Qualified Opinion

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 Millview County Water District as of June 30, 2021 and 2020 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.

Michael A Celentano
Certified Public Accountant

September 14, 2021

MILLVIEW COUNTY WATER DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2021 AND 2020

<u>ASSETS</u>	<u>2021</u>	<u>2020</u>
<u>Current Assets</u>		
Cash in bank - Note 2	\$ 305,663	\$ 161,840
Accounts receivable	189,957	175,626
Investments - Note 2	3,137,027	3,118,627
Prepaid expenses	<u>535</u>	<u>-</u>
 Total Current Assets	 3,633,182	 3,456,093
<u>Non Current Assets</u>		
Restricted for capital improvements and loan reserves		
Cash in banks - Note 2	1,737,945	1,017,123
Investments - Note 2	21,954	21,825
Intangible assets - Note 3	<u>1,606,531</u>	<u>1,631,715</u>
 Total Non Current Assets	 3,366,430	 2,670,663
 <u>Capital Assets - Note 5</u>	 <u>8,510,498</u>	 <u>5,831,015</u>
 Total Assets	 <u>\$ 15,510,110</u>	 <u>\$ 11,957,771</u>

MILLVIEW COUNTY WATER DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2021 AND 2020

<u>LIABILITIES</u>	<u>2021</u>	<u>2020</u>
<u>Current Liabilities</u>		
Accounts payable	\$ 171,616	\$ 105,214
Refundable customer deposits	52,684	51,899
Interest Payable	22,500	
Current portion of long term debt	<u>46,000</u>	<u>-</u>
 Total Current Liabilities	 <u>292,800</u>	 <u>157,113</u>
 <u>Long Term Liabilities</u>		
Loan Payable - Note 6	3,000,000	
Less: current portion shown above	(46,000)	
Net Pension Liabilities - Note 7	<u>228,286</u>	<u>208,656</u>
 Total Long Term Liabilities	 <u>3,182,286</u>	 <u>208,656</u>
 Total Liabilities	 <u>3,475,086</u>	 <u>365,769</u>
 <u>Net Position</u>		
Investment in capital assets	5,510,498	5,831,015
Restricted for capital improvements - non expendable	1,658,747	1,038,948
Loan reserves	101,152	
Unrestricted	<u>4,764,627</u>	<u>4,722,039</u>
 Total Net Position	 <u>\$ 12,035,024</u>	 <u>\$ 11,592,002</u>

The accompanying notes are an integral part of these statements

MILLVIEW COUNTY WATER DISTRICT
STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<u>Operating Revenues</u>		
Water sales	\$ 1,410,754	\$ 1,348,366
Other operating income	12,550	33,590
Connection fees	<u>69,122</u>	<u>118,188</u>
 Total Operating Revenue	 1,492,426	 1,500,144
<u>Operating Expenses</u>		
Source of supply	206,499	224,772
Water treatment	290,401	416,725
Transmission and distribution	106,703	157,271
Customer accounts	11,239	6,931
Administration and general	692,240	577,441
Depreciation and amortization	<u>371,529</u>	<u>372,855</u>
 Total Operating Expenses	 <u>1,678,611</u>	 <u>1,755,995</u>
 Operating Income	 (186,185)	 (255,851)
<u>Non-Operating Revenues (Expenses)</u>		
Interest income	19,532	63,575
Capital improvement assessments	561,705	499,149
Other non operating revenue	128,380	1,940
Change in actuarial assumptions/interest expense	(43,115)	(17,985)
Interest expense	<u>(37,295)</u>	<u>-</u>
 Total Non-Operating Revenues (Expenses)	 <u>629,207</u>	 <u>546,679</u>
 Net Income	 443,022	 290,828
 <u>Net Assets, Beginning of Year</u>	 <u>11,592,002</u>	 <u>11,301,174</u>
 <u>Net Assets, Ending of Year</u>	 <u>\$ 12,035,024</u>	 <u>\$ 11,592,002</u>

The accompanying notes are an integral part of these statements

MILLVIEW COUNTY WATER DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<u>Cash Flows From Operating Activities</u>		
Cash received from customers	\$ 1,478,095	\$ 1,512,595
Payments to suppliers for goods and services	(714,838)	(898,501)
Payments to employees and related items	<u>(526,377)</u>	<u>(477,177)</u>
Net Cash Provided by Operating Activities	236,880	136,917
<u>Cash Flows From Non-Capital Financing Activities</u>		
Increase in customer deposits	785	2,130
Other non operating revenue	<u>128,380</u>	<u>1,940</u>
Net Cash Provided (Used) From Non-Capital Financing Activities	129,165	4,070
<u>Cash Flows From Capital Financing Activities</u>		
Proceeds from bond payable	3,000,000	
Capital improvement assessments	561,705	499,149
Principal payments	-	
Interest payments	(14,795)	
Payments for property and equipment	<u>(3,025,827)</u>	<u>(268,256)</u>
Net Cash Provided (Used) From Capital Financing Activities	521,083	230,893
<u>Cash Flows From Investing Activities</u>		
Short-term investments, net	(18,530)	(62,978)
Interest received	19,532	63,575
Payment of unfunded pension liability	<u>(23,485)</u>	<u>(20,260)</u>
Net Cash Provided (Used) From Investing Activities	<u>(22,483)</u>	<u>(19,663)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	864,645	352,217
<u>Cash - Beginning of Year</u>	<u>1,178,963</u>	<u>826,746</u>
<u>Cash - Ending of Year</u>	<u>\$ 2,043,608</u>	<u>\$ 1,178,963</u>
<u>Interest Paid</u>	<u>\$ 14,795</u>	<u>\$ -</u>

The accompanying notes are an integral part of these statements

MILLVIEW COUNTY WATER DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

<u>Reconciliation of Operating Income to Net</u> <u>Cash Provided by Operating Activities</u>	<u>2021</u>	<u>2020</u>
Operating income (loss)	\$ (186,185)	\$ (255,851)
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation	346,344	347,673
Amortization	25,185	25,182
(Increase) decrease in current assets:		
Accounts receivable	(14,331)	(22,475)
Accrued water sales	-	34,926
Prepaid expenses	(535)	556
Increase (decrease) in current liabilities		
Accounts payable	66,402	34,986
Accrued expenses	<u>-</u>	<u>(28,080)</u>
 Net Cash Provided by Operating Activities	 <u>\$ 236,880</u>	 <u>\$ 136,917</u>

MILLVIEW COUNTY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

The District was formed in 1956 under the provisions of the Water Code for the State of California. The District operates under a board of directors' form of government and is considered an independent local government unit. Members of the Board of Directors are elected officials.

The District provides water services to residents and businesses within the District boundaries. The District's boundaries include a significant portion of the northerly part of the Ukiah Valley which is located in the County of Mendocino. The District's financial statements include the accounts of all District operations.

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 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, 2021 and 2020. 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, 2021 and 2020 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.

Investments

Surplus funds are invested by the District in a pooled money investment account held with the State of California in the Local Agency Investment Fund (LAIF). The funds held at LAIF are invested in accordance with Government Code Section 16430 and 16480. The LAIF account is internally allocated between restricted funds and funds reserved by the District for special purposes and general operations.

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:

Building and improvements	10-25 years
Transmission and distribution	3-50 years
General plant assets	5-10 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, 2021 and 2020 cash consisted as follows:

	<u>2021</u>	<u>2020</u>
Cash		
General operations	\$ 305,663	\$ 161,840
Savings & certificates of deposit	<u>1,737,945</u>	<u>1,017,123</u>
	2,043,608	1,178,963
Allocated to restricted assets	<u>1,737,945</u>	<u>1,017,123</u>
Total Cash	<u>\$ 305,663</u>	<u>\$ 161,840</u>
Investments		
LAIF	\$ 3,137,027	\$3,140,452
Allocated to restricted assets	<u>21,954</u>	<u>21,825</u>
Total Investments	<u>\$ 3,158,981</u>	<u>\$3,118,627</u>

As of June 30, 2021 and 2020, the District's deposits with financial institutions were \$1,796,079 and \$923,625 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.

The District participates in the Local Agency Investment Fund (LAIF), an investment pool managed by the State of California. The account is similar to a money market account. The funds deposited in LAIF are invested in accordance with Government Code Sections 16430 and 16480, the stated investment authority for the pooled money investment account. LAIF has stated that it has not invested in, nor will it invest in, derivative products as defined in general accounting definitions #1 and #2. LAIF issues a separate comprehensive annual financial report. Copies of LAIF's annual report may be obtained from the Local Agency Investment Fund, P.O. Box 942809, Sacramento, CA 94209-0001.

The District's investments have a risk category of "uncategorized" which represents investments in pools where the District's investments are not evidenced by specific identifiable securities.

Note 3 - Intangible Assets

The following is a summary of intangible assets for the fiscal year ended June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Water Rights – Hill – Gomes (Negotiations in progress)	\$1,530,989	\$1,530,989
Water Master Plan – Net of amortization	<u>75,542</u>	<u>104,726</u>
	<u>\$ 1,606,531</u>	<u>\$1,635,715</u>

Amortization expense of \$25,185 and \$25,182 were recorded operating expense for the years ended June 30, 2021 and 2020, respectively.

Note 4 - Restricted Assets

The District has established a separate bank account and an allocation of its investment account to hold funds it has collected for capital improvement projects and resulting debt payments. These funds are restricted and not considered available for normal operations. The sources of these funds are from: ongoing monthly assessments to its customers, facility reserve fees, and interest income. The monthly assessments or capital improvement assessments are equal to \$1.50 per 1,000 gallons of water sold to all customers except Calpella County Water District. Facility reserve fees, as required under regulations, are to be used only for facility improvements and are assessed to new water hook-ups. Each capital improvement project is approved by the Board of Directors along with the source of funding being from either operating or restricted funds.

Note 5 - Property, Plant and Equipment

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

	<u>Balance 7/1/20</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 6/30/21</u>
Land & land rights	\$ 107,003	\$ 3,259,804		\$ 3,366,807
Office building and improvements	3,061			3,061
Treatment plant	2,371,905			2,371,905
Distribution system	8,341,514			8,341,514
Equipment and vehicles	50,000			50,000
Construction in progress	<u>392,414</u>	<u>3,025,827</u>	<u>(3,259,804)</u>	<u>158,437</u>
Total cost	11,265,897	6,285,631	(3,259,804)	14,291,724
Less accumulated depreciation	<u>(5,434,882)</u>	<u>(346,344)</u>	_____	<u>(5,781,226)</u>
Net Book Value	<u>\$ 5,831,015</u>	<u>\$ 5,939,287</u>	<u>\$ (3,259,804)</u>	<u>\$ 8,510,498</u>

Depreciation expense of \$344,344 and \$347,673 were recorded as operating expense for the years ended June 30, 2021 and 2020, respectively.

Note 6 - Loan Payable – Rural Utility Service

The Loan payable is from the 2000 Water System Improvement Project funds which is a service of the USDA Rural Utility Service. The original loan was for \$3,000,000. Interest at the rate of 1.5% per annum is payable each year on the first day of January and the first day of July. Principal is due on the first day of July.

The District must establish a separate debt service reserve in the amount at least equal to the average annual loan installment (\$101,152). 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.

Future loan service requirements are as follows:

<u>Year</u> <u>Ending</u>	<u>Principal</u>	<u>Interest</u>
6/30/22	\$ 46,000	\$ 44,655
6/30/23	56,000	43,890
6/30/24	57,000	43,043
6/30/25	58,000	42,180
6/30/26	59,000	41,303
6/30/27-31	309,000	192,833
6/30/32-36	330,000	168,900
6/30/37-41	357,000	143,183
6/30/42-46	385,000	115,313
6/30/47-51	415,000	85,313
6/30/52-56	447,000	53,033
6/30/57-60	<u>481,000</u>	<u>18,263</u>
Totals	<u>\$ 3,000,000</u>	<u>\$ 991,909</u>

Interest expense of \$37,295 was incurred and recorded as a non-operating expense for the year ended June 30, 2021..

Note 7 - Changes in Long Term Debt

The following is a summary of long term debt for the year ended June 30, 2021:

Type of Debt	Balance 07/01/20	Additions	Reductions	Balance 06/30/21	Due Within One Year
USDA- RUS	\$ 0	\$ 3,000,000	\$ 0	\$ 3,000,000	\$ 46,000
	\$ 0	\$ 3,000,000	\$ 0	\$ 3,000,000	\$ 46,000

Note 8 - Defined Benefit Pension Plan (Unaudited)

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, 2021 the District's unfunded liability is \$ 228,286 which is based on the June 30, 2020 Annual Actuarial Valuation Report and has been recorded as a liability as required by GASB 68 . The District made a payment of \$ 23,485 to CalPERS to lower this unfunded liability during the current year and this payment is reflected as a reduction in net pension liability. This report is a publically available valuation report that can be obtained at CalPERS' website under Forms and Publications.

Note 9 - Joint Powers Agreement

The District participates in a joint venture under a joint power agreement (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 10 - Master Service Agreement

The District no longer maintains a distinctly separate work force. As part of a long term plan leading toward political consolidation with Redwood Valley CWD, Calpella CWD and Willow CWD, the District entered into a “Master Service Agreement” with Willow CWD in October 2015 to provide and supervise field and office staffing. The District entered into a separate “General Manager Service Agreement” with Redwood Valley CWD in November 2015 to provide district Management services,

Note 11 - 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 14, 2021 that meet the above definition.