

UPPER RUSSIAN RIVER WATER AGENCY

FINANCIAL STATEMENTS

AND INDEPENDENT AUDITOR'S REPORT

for the year ended June 30, 2020

TABLE OF CONTENTS

	<u>Pages</u>
Independent Auditor's Report	1-2
Financial Statements:	
Statement of Net Position	3
Statement of Revenues, Expenses and Changes in Net Position	4
Statement of Cash Flows	5-6
Notes to Financial Statements	7-11
Supplemental Information:	
Principal Officials	13



Robert W. Johnson
an accountancy corporation

6234 Birdcage Street, Citrus Heights, California 95610 | robertwjohncpagroup@gmail.com | 916.723.2555
www.bob-johnson-cpa.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Upper Russian River Water Agency
Ukiah, California

Report on the Financial Statements

We have audited the accompanying financial statements of Upper Russian River Water Agency, as of and for the year ended June 30, 2020 as listed in the table of contents, and the related notes to the financial statements.

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

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we 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, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Upper Russian River Water Agency as of June 30, 2020, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America, as well as the accounting systems prescribed by the State Controller's Office and State Regulations governing Special Districts.

Other Matters

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

The supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of Upper Russian River Water Agency. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Robert W. Johnson, A.N. Accountancy Corporation

Citrus Heights, California
August 28, 2020

UPPER RUSSIAN RIVER WATER AGENCY
STATEMENT OF NET POSITION
June 30, 2020

ASSETS

Current assets:		
Cash (Note 3)		\$ <u>12,224</u>
Total current assets		\$ <u><u>12,224</u></u>

LIABILITIES AND NET POSITION

Current liabilities:			
Accounts payable		\$	2,850
Advance - study			<u>2,000</u>
Total current liabilities			4,850
Net position:			
Restricted	\$	-	
Unrestricted		<u>7,374</u>	
			<u>7,374</u>
			\$ <u><u>12,224</u></u>

See notes to financial statements

UPPER RUSSIAN RIVER WATER AGENCY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
for the year ended June 30, 2020

Operating revenues:		
Dues		\$ 4,700
Reimbursements – Study		<u>6,000</u>
Total operating revenues		10,700
Operating expenses:		
Legal fees	\$ 67	
Audit expense	2,850	
Study (Note 6)	6,000	
Dues expense	<u>750</u>	
Total operating expenses		<u>9,667</u>
Operating income and income before contributions		1,033
Capital contributions		<u>-</u>
Change in net position		1,033
Total net position:		
Beginning		<u>6,341</u>
Ending		<u>\$ 7,374</u>

See notes to financial statements

UPPER RUSSIAN RIVER WATER AGENCY
STATEMENT OF CASH FLOWS
for the year ended June 30, 2020

Cash flows from operating activities:	
Receipts	\$ 8,600
Payment to suppliers	(8,417)
Payments to employees	<u>-</u>
Net cash provided by operating activities and net increase in cash and cash equivalents	183
Cash and cash equivalents:	
Beginning of year	<u>12,041</u>
End of year	<u>\$ 12,224</u>

See notes to financial statements

UPPER RUSSIAN RIVER WATER AGENCY
STATEMENT OF CASH FLOWS, continued
for the year ended June 30, 2020

Reconciliation of operating income (loss) to
net cash provided by operating activities:

Operating income \$ 1,033

Adjustments to reconcile operating income (loss)
to net cash provided by operating activities:

Depreciation \$ -

Changes in operating assets and liabilities:

Accounts receivable (100)

Accounts payable and accruals (750)

(850)

Net cash provided by
operating activities

\$ 183

See notes to financial statements

UPPER RUSSIAN RIVER WATER AGENCY
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2020

1. Organization:

Upper Russian River Water Agency (the “JPA”) was formed in 2014 pursuant to Chapter 5 of Division 7 of Title 1 of the California Government code (Sections 6500, et seq. – The Joint Powers Law).

The four members of the JPA consist of the following county water districts:

- Calpella
- Millview
- Redwood Valley
- Willow (effective 7-1-20)

(Russian River Flood Control and Water Conservation Improvement District resigned)

The JPA was formed to respond to common water related issues with a consolidated approach and eventually through a single water district for the unincorporated areas of the Ukiah valley.

The JPA is governed by a four person Board of Directors, each of whom is appointed by their respective district.

2. Summary of Significant Accounting Policies:

The accounting policies of the Upper Russian River Water Agency conform to generally accepted accounting principles applicable to enterprise funds. The JPA applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

Fund Accounting

The JPA is an enterprise fund. All operations are accounted for in an enterprise fund.

Enterprise Fund – The enterprise fund is used to account for water operations that are financed and operated in a manner similar to private business enterprises. The intent of the JPA is that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

UPPER RUSSIAN RIVER WATER AGENCY
NOTES TO FINANCIAL STATEMENTS, continued
for the year ended June 30, 2020

2. Summary of Significant Accounting Policies, continued:

Basis of Accounting

The basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

The JPA's books and accounts are based upon the Uniform System of Accounts for Public Utilities as prescribed by the Division of Local Government Fiscal Affairs of the State of California. The records are maintained and the accompanying financial statements are presented on the accrual basis of accounting.

Operating revenues and expenses, result from exchange transactions associated with the principal activity of the JPA. Exchange transactions are those in which each party receives and gives up essentially equal values. Management, administration and depreciation expenses are also considered operating expenses. Other revenues and expenses not included in the above categories are reported as non-operating revenues and expenses. Non-operating revenues and expenses, such as grant funding, investment income and interest expense, result from non-exchange transactions, in which, the JPA gives (receives) value without directly receiving (giving) value in exchange.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 may differ from those estimates.

Statement of Cash Flows

All highly liquid investments with a maturity of three months or less when purchased, are considered to be cash equivalents.

UPPER RUSSIAN RIVER WATER AGENCY
NOTES TO FINANCIAL STATEMENTS, continued
for the year ended June 30, 2020

2. Summary of Significant Accounting Policies, continued:

Donated Services

No amounts have been reflected in the financial statements for donated services provided by the General Manager and Secretary/Treasurer.

Revenue Accounting

The JPA is funded solely by contributions from its four member agencies. The JPA receives no dedicated property tax revenue and does not provide water sales. Each member district pays an equal share to cover the operational costs of the JPA, which may be made monthly or in a lump sum at the start of the fiscal year.

Net Position

Net position is classified in the following categories:

Net Investment in capital assets – groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce this category.

Restricted – presents external restrictions imposed by creditors, grantors, contributors or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted – represents the net position of the JPA, which are not restricted or invested in capital assets net of related debt.

UPPER RUSSIAN RIVER WATER AGENCY
NOTES TO FINANCIAL STATEMENTS, continued
for the year ended June 30, 2020

3. Cash and Cash Equivalents:

At year-end the carrying amount of the JPA's deposits was \$12,224 and the bank balance was \$12,224. The bank balance was covered by Federal depository insurance.

	Balance, June 30, <u>2020</u>
Checking	\$ <u>12,224</u>

4. Subsequent Events:

Management has evaluated subsequent events through August 28, 2020, the date these June 30, 2020 financial statements were available to be issued.

5. Organizational Activities:

During FY 2019-20 the JPA continued to operate as an environment for collaboration on regional water issues and communication between districts. The operations continue to be refined under a functionally consolidated approach, through service contracts between the county water districts and in a unified office location.

Discussions on the approach to consolidation continue to consider an application to LAFCo, as well as, potential legislative action for formation of the consolidated district. Either of these consolidating actions would eliminate the purpose of the JPA by forming a new regional water district. A Water Supply and Demand Analysis is underway; and, regional capital improvement planning, establishment of zones to protect ratepayers from the individual liabilities and asset issues of each district and streamlining rates and fees are some of the important steps necessary to move forward on reorganization.

UPPER RUSSIAN RIVER WATER AGENCY
NOTES TO FINANCIAL STATEMENTS, continued
for the year ended June 30, 2020

6. Surface/Groundwater Interaction Study:

In 2018 the JPA contracted for this study at a total cost of \$32,000 spread over 4 years (\$2,000 each from Calpella, Millview, Redwood Valley and Willow).

Contract status at June 30, 2020:

Total projected cost		\$ 32,000
Deduct, 2018 payments	\$ 8,000	
2019 payments	8,000	
2020 payments	<u>8,000</u>	
		<u>24,000</u>
Balance		\$ <u>8,000</u>

SUPPLEMENTAL DATA

UPPER RUSSIAN RIVER WATER AGENCY
PRINCIPAL OFFICIALS
for the year ended June 30, 2020

Board of Directors

Richard Mack

Ken Todd

Steven Bogart

Ross LaRue

JPA Member

Millview CWD

Redwood Valley CWD

Calpella CWD

Willow CWD

President

Vice President

Vice President

Director

Management

Dave Redding

Kate Barrett

General Manager

Secretary