

WILLOW COUNTY WATER DISTRICT

FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

WILLOW COUNTY WATER DISTRICT
FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

TABLE OF CONTENTS

Independent Auditor's Report	3
Financial Statements	
Statement of Net Position	5
Statement of Activities And Changes in Net Position	6
Statement of Cash Flows	7
Notes to the Financial Statements	9

MICHAEL A. CELENTANO

Certified Public Accountant

PO Box 206

530-629-3015

Willow Creek Ca 95573

maccpa@pacific.net

Board of Directors
Willow County Water District
Ukiah, CA 95482

Independent Auditor's Report

I have audited the accompanying financial statements of the business-type activities of Willow County Water 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.

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.

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 Willow County Water 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.

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 19, 2020

WILLOW COUNTY WATER 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	\$ 966,774	\$ 1,008,490
Accounts receivable	182,352	119,778
Prepaid expenses	<u>491</u>	<u>925</u>
Total Current Assets	1,149,617	1,129,193
<u>Capital Assets - Note 3</u>	<u>1,385,780</u>	<u>1,433,535</u>
Total Assets	<u>\$ 2,535,397</u>	<u>\$ 2,562,728</u>
<u>LIABILITIES</u>		
<u>Current Liabilities</u>		
Accounts payable	\$ 58,779	\$ 41,127
Refundable customer deposits	<u>13,460</u>	<u>12,320</u>
Total Current Liabilities	72,239	53,447
Long Term Liabilities		
Net Pension Liabilities - Note 4	<u>157,369</u>	<u>134,439</u>
Total Long Term Liabilities	<u>157,369</u>	<u>134,439</u>
Total Liabilities	<u>\$ 229,608</u>	<u>\$ 187,886</u>
<u>Net Position</u>		
Investment in capital assets	\$ 1,385,780	\$ 1,433,535
Unrestricted	<u>921,009</u>	<u>941,307</u>
Net Position	<u>\$ 2,306,789</u>	<u>\$ 2,374,842</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, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<u>Operating Revenues</u>		
Water sales	\$ 727,965	\$ 700,930
Other operating income	<u>1,250,800</u>	<u>1,077,082</u>
Total Operating Revenue	1,978,765	1,778,012
<u>Operating Expenses</u>		
Salaries	937,474	799,866
Employee benefits	470,330	393,537
Liability insurance	27,342	24,046
Office Expense	26,334	15,034
Professional services	31,164	26,183
Travel	26,110	27,973
Supplies and meters	25,986	13,886
Repairs and maintenance	137,770	95,504
Utilities	143,827	120,874
Water testing	7,610	3,800
Telephone	17,292	16,269
Permits and fees	13,261	7,710
Purchased water	6,571	8,433
Director's fees	925	975
Dues	10,266	10,496
Uncollectible accounts	(45)	364
Other	5,410	4,220
Depreciation	<u>133,388</u>	<u>116,318</u>
Total Operating Expenses	<u>2,021,015</u>	<u>1,685,488</u>
Operating Income (Loss)	(42,250)	92,524
<u>Non-Operating Revenues (Expenses)</u>		
Rental income	11,340	11,340
Interest income	925	923
Increase in actuarial assumptions for PERS	<u>(38,068)</u>	<u>(47,314)</u>
Total Non-Operating Revenues (Expenses)	<u>(25,803)</u>	<u>(35,051)</u>
Net Income	(68,053)	57,473
Net Position, Beginning of Year	<u>2,374,842</u>	<u>2,317,369</u>
Net Position, Ending of Year	<u>\$ 2,306,789</u>	<u>\$ 2,374,842</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, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<u>Cash Flows From Operating Activities</u>		
Cash received from customers	\$ 717,998	\$ 702,205
Other operating cash receipts	1,198,193	1,095,834
Payments to suppliers for goods and services	(460,597)	(331,839)
Payments to employees and related items	<u>(1,407,804)</u>	<u>(1,187,553)</u>
Net Cash Provided By Operating Activities	47,790	278,647
<u>Cash Flows From Capital Financing Activities</u>		
Acquisition of capital assets	(85,633)	(106,013)
Rental income	<u>11,340</u>	<u>11,340</u>
Net Cash Provided (Used) By Capital Financing Activities	(74,293)	(94,673)
<u>Cash Flows From Investing Activities</u>		
Interest received	925	923
Payment of unfunded pension liability	<u>(15,138)</u>	<u>(5,343)</u>
Net Cash Provided By Investing Activities	<u>(14,213)</u>	<u>(4,420)</u>
Net Increase (Decrease) In Cash and Cash Equivalents	(40,716)	179,554
<u>Cash - Beginning of Year</u>	<u>1,008,490</u>	<u>828,936</u>
<u>Cash - Ending of Year</u>	<u>\$ 967,774</u>	<u>\$ 1,008,490</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, 2020 AND 2019

<u>Reconciliation of Operating Income</u> <u>to Net Cash Provided by Operating Activities</u>	<u>2020</u>	<u>2019</u>
Operating income (loss)	\$ (42,250)	\$ 92,524
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation	133,388	116,318
(Increase) decrease in current assets:		
Accounts receivable	(62,574)	20,027
Prepaid expenses	434	53,749
Increase (decrease) in current liabilities		
Accounts payable	17,652	(5,096)
Refundable customer deposits	<u>1,140</u>	<u>1,125</u>
Net Cash Provided by Operating Activities	<u>\$ 47,790</u>	<u>\$ 278,647</u>

The accompanying notes are an integral part of these statements

WILLOW COUNTY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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 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, 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.

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 \$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:

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, 2020 and 2019 cash consisted as follows:

	<u>2020</u>	<u>2019</u>
Cash		
General checking	\$ 388,264	\$ 507,303
Construction account	519,726	494,964
Payroll account	58,534	5,973
Petty Cash	<u>250</u>	<u>250</u>
Total Cash	<u>\$ 966,974</u>	<u>\$ 1,008,490</u>

As of June 30, 2020, the District's deposits with financial institutions were \$ 736,696 in excess of federal depository insurance limits. 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>7/1/19</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/20</u>
Land	\$ 85,870	\$	\$	\$ 85,870
Office buildings and improvements	211,839			211,839
Treatment facilities and Distribution system	2,915,104			2,915,104
Equipment and tools	450,287	85,633		535,920
Construction in progress	<u>180</u>	<u>0</u>	<u>0</u>	<u>180</u>
Total cost	3,663,280	85,633	0	3,748,913
Less accumulated depreciation	<u>(2,229,745)</u>	<u>(133,388)</u>	<u>0</u>	<u>(2,363,133)</u>
Net Book Value	<u>\$ 1,433,535</u>	<u>\$ (47,755)</u>	<u>\$ 0</u>	<u>\$ 1,385,780</u>

Depreciation expense of \$133,388 and \$116,318 were recorded as operating expense for the years ended June 30, 2020 and 2019, 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, 2020 was 11.861% for non-safety employees and 7.191% for PEPRA of annual covered payroll plus an employer payment of \$15,138 for unfunded liability.

The rate for June 30, 2021 will be 12.650% for the non-safety plan and 7.847% for PEPPRA plus an employer payment of \$15,972 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, 2020, the District's annual pension cost of \$82,392 for PERS was equal to the District's required and actual contributions. The required contribution was determined as part of the June 30, 2018 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.65% 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 and smoothing policy that will pay for all gains and losses over a fixed 30-year period with the increases and decreases in the rate spread directly over a 5-year period instead. The required and actual contribution rate for June 30, 2020 was determined as part of the June 30, 2018 actuarial valuation in which PERS using the same assumptions as the previous year

Three-Year Trend Information For PERS

Fiscal Year	Annual Pension Cost (APC)	Percentage of PC Contributed	Net Pension Obligation
6/30/18	\$ 61,386	100%	\$ 0
6/30/19	70,890	100%	\$ 0
6/30/20	\$82,392	100%	\$ 0

The tables below shows 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
Classic					
6/30/17	\$ 725,045	\$ 628,847	\$ 96,198	86.7%	\$ 473,276
6/30/18	904,355	772,877	131,478	85.5%	449,009
6/30/19	\$1,077,605	\$ 925,738	\$151,867	85.9%	\$ 490,988
PEPPRA					
6/30/17	\$ 17,270	\$ 17,134	\$ 136	99.2%	\$ 126,879
6/30/18	52,014	44,053	2,961	94.3%	192,938
6/30/19	\$92,841	\$ 87,339	\$ 5,502	94.1%	\$ 257,955

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 19, 2020 that meet the above definition.