

LOS CARNEROS WATER DISTRICT

BASIC FINANCIAL STATEMENTS

JUNE 30, 2023 and 2022

LOS CARNEROS WATER DISTRICT

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INDEPENDENT AUDITOR'S REPORT

Board of Directors and those charged with governance
Los Carneros Water District
Napa, California

Report on the Audit of the Financial Statements

Opinions

I have audited the accompanying financial statements of the governmental activities and each major fund of the Los Carneros Water District as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Los Carneros Water District's basic financial statements as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Los Carneros Water District, as of June 30, 2023 and 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the Los Carneros Water District and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Los Carneros Water District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

INDEPENDENT AUDITOR'S REPORT (Continued)

- Obtain an understanding of internal control relevant to the audit 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 Los Carneros Water District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Los Carneros Water District's ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that I identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (not presented) and budgetary comparison schedules as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management has omitted 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. My opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated October 2, 2023, on my consideration of the Los Carneros Water District's internal control over financial reporting and on my tests of its compliance with certain provision of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Los Carneros Water District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Los Carneros Water District's internal control over financial reporting and compliance.

Charles W. Pillon, CPA
Anderson, California
October 2, 2023

BASIC FINANCIAL STATEMENTS

LOS CARNEROS WATER DISTRICT
STATEMENTS OF NET POSITION
June 30, 2023 and 2022

	June 30, 2023	June 30, 2022
ASSETS		
Cash and cash equivalents	\$ 487,457	\$ 480,262
Assessments receivable	1,643,246	2,036,454
Prepaid expenses	-	463
Restricted cash reserves debt service	335,220	335,220
Total Assets	2,465,923	2,852,399
LIABILITIES		
Accounts payable	-	1,024
Non-current liabilities:		
Due within one year	329,220	328,242
Due in more than one year	2,088,629	2,483,850
Total Liabilities	2,417,849	2,813,116
NET POSITION		
Unrestricted	48,074	39,283
Total Net Position	\$ 48,074	\$ 39,283

The accompanying notes are an integral part of these financial statements.

LOS CARNEROS WATER DISTRICT
STATEMENTS OF ACTIVITIES
For The Years Ended June 30, 2023 and 2022

	June 30, 2023	June 30, 2022
PROGRAM EXPENDITURES/EXPENSES		
Current:		
Insurance	\$ 463	\$ 455
Supplies	600	599
Interest expense	24,977	28,883
Professional services - accounting, audit, other	4,075	6,784
Professional services - legal	4,193	5,595
Professional services - engineering	5,458	6,237
Total Program Expenditures/Expenses	39,766	48,553
PROGRAM REVENUES		
Direct assessment collections	47,912	51,796
Total Program Revenues	47,912	51,796
Net Program Revenue (Expense)	8,146	3,243
GENERAL REVENUES		
Interest income	645	419
Total General Revenues	645	419
Change in Net Position	8,791	3,662
Net Position - Beginning of Year	39,283	35,621
Net Position - End of Year	\$ 48,074	\$ 39,283

The accompanying notes are an integral part of these financial statements.

**LOS CARNEROS WATER DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2023**

	General Fund	Debt Service Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 66,073	\$ 421,384	\$ 487,457
Restricted cash reserves	-	335,220	335,220
Assessments receivable	-	7,018	7,018
Total Assets	\$ 66,073	\$ 763,622	\$ 829,695
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
Total Liabilities	-	-	-
FUND BALANCE			
Restricted	-	335,220	335,220
Unassigned	66,073	428,402	494,475
Total Fund Balance	66,073	763,622	829,695
Total Liabilities and Fund Balance	\$ 66,073	\$ 763,622	\$ 829,695

The accompanying notes are an integral part of these financial statements.

LOS CARNEROS WATER DISTRICT
Reconciliation of Total Governmental Fund Balances
To the Government-Wide Statement of Net Position - Governmental Activities
June 30, 2023

Total Governmental Fund Balances	\$	829,695
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Non-current special assessment receivables from landowners are not available in the current period and therefore not reported in the governmental funds	\$	1,636,228
Long-term obligations are not due and payable in the current period and therefore are not reported in the governmental funds. Such as:		
Note payable - construction financing loan		(2,399,850)
Accrued interest payable		(17,999)
Net Position of Governmental Activities	\$	48,074

The accompanying notes are an integral part of these financial statements.

**LOS CARNEROS WATER DISTRICT
GOVERNMENTAL FUNDS
REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
For The Year Ended June 30, 2023**

	General Fund	Debt Service Fund	Total Governmental Funds
REVENUES			
Direct assessment collections	\$ 20,000	\$ 415,397	\$ 435,397
Use of money	645	7,235	7,880
Fines and penalties	-	1,199	1,199
Total Revenues	20,645	423,831	444,476
EXPENDITURES			
Current:			
Insurance	463	-	463
Supplies	600	-	600
Professional services - accounting, audit and other	4,075	-	4,075
Professional services - legal	4,193	-	4,193
Professional services - engineering	5,458	-	5,458
Debt Service:			
Debt service - principal	-	391,308	391,308
Debt service - interest	-	27,912	27,912
Total Expenditures	14,789	419,220	434,009
Changes in Fund Balance	5,856	4,611	10,467
Fund Balance - Beginning of Year	60,217	759,011	819,228
Fund Balance - End of Year	\$ 66,073	\$ 763,622	\$ 829,695

The accompanying notes are an integral part of these financial statements.

**LOS CARNEROS WATER DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES
For The Year Ended June 30, 2023**

Net Change in Fund Balances - Total Governmental Funds **\$ 10,467**

Amounts reported for governmental activities in the Statement of Activities differs from the amounts reported in the Statement of Revenue, Expenditures and Changes in Fund Balances because:

In the fund financial statements, certain receipts are reported as revenue, but they reduce the special assessment receivable in the Statement of Net Position and do not affect the Statement of Activities, such as:

Direct assessment collections	(387,485)
Use of money	(7,235)
Fines and penalties	(1,199)

In the fund financial statements, repayment of long-term debt is reported as an expenditure, but the repayment reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities 391,308

Under the modified accrual basis of accounting used in governmental funds, interest payments on long-term debt are reported as expenditures, but under the full accrual basis, interest expense is adjusted for the year-end interest accrual 2,935

Change in Net Position of Governmental Activities **\$ 8,791**

The accompanying notes are an integral part of these financial statements.

**LOS CARNEROS WATER DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2022**

	General Fund	Debt Service Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 60,778	\$ 419,484	\$ 480,262
Restricted cash reserves	-	335,220	335,220
Assessments receivable	-	4,307	4,307
Prepaid expenses	463	-	463
Total Assets	\$ 61,241	\$ 759,011	\$ 820,252
LIABILITIES			
Accounts payable	\$ 1,024	\$ -	\$ 1,024
Total Liabilities	1,024	-	1,024
FUND BALANCE			
Restricted	-	335,220	335,220
Unassigned	60,217	423,791	484,008
Total Fund Balance	60,217	759,011	819,228
Total Liabilities and Fund Balance	\$ 61,241	\$ 759,011	\$ 820,252

The accompanying notes are an integral part of these financial statements.

LOS CARNEROS WATER DISTRICT
Reconciliation of Total Governmental Fund Balances
To the Government-Wide Statement of Net Position - Governmental Activities
June 30, 2022

Total Governmental Fund Balances	\$ 819,228
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Non-current special assessment receivables from landowners are not available in the current period and therefore not reported in the governmental funds	\$ 2,032,147
Long-term obligations are not due and payable in the current period and therefore are not reported in the governmental funds. Such as:	
Note payable - construction financing loan	(2,791,158)
Accrued interest payable	(20,934)
Net Position of Governmental Activities	\$ 39,283

**LOS CARNEROS WATER DISTRICT
GOVERNMENTAL FUNDS
REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
For The Year Ended June 30, 2022**

	General Fund	Debt Service Fund	Total Governmental Funds
REVENUES			
Direct assessment collections	\$ 20,000	\$ 415,397	\$ 435,397
Use of money	419	4,297	4,716
Fines and penalties	-	201	201
Total Revenues	20,419	419,895	440,314
EXPENDITURES			
Current:			
Insurance	455	-	455
Supplies	600	-	600
Professional services - accounting and audit	6,783	-	6,783
Professional services - legal	5,595	-	5,595
Professional services - engineering	6,237	-	6,237
Debt Service:			
Debt service - principal	-	388,424	388,424
Debt service - interest	-	31,796	31,796
Total Expenditures	19,670	420,220	439,890
Changes in Fund Balance	749	(325)	424
Fund Balance - Beginning of Year	59,468	759,336	818,804
Fund Balance - End of Year	\$ 60,217	\$ 759,011	\$ 819,228

The accompanying notes are an integral part of these financial statements.

**LOS CARNEROS WATER DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES
For The Year Ended June 30, 2022**

Net Change in Fund Balances - Total Governmental Funds **\$ 424**

Amounts reported for governmental activities in the Statement of Activities differs from the amounts reported in the Statement of Revenue, Expenditures and Changes in Fund Balances because:

In the fund financial statements, certain receipts are reported as revenue, but they reduce the special assessment receivable in the Statement of Net Position and do not affect the Statement of Activities, such as:

Direct assessment collections	(383,601)
Use of money	(4,297)
Fines and penalties	(201)

In the fund financial statements, repayment of long-term debt is reported as an expenditure, but the repayment reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities	388,424
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Under the modified accrual basis of accounting used in governmental funds, interest payments on long-term debt are reported as expenditures, but under the full accrual basis, interest expense is adjusted for the year-end interest accrual	2,913
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Change in Net Position of Governmental Activities	\$ 3,662
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LOS CARNEROS WATER DISTRICT

Notes to Basic Financial Statements

June 30, 2023 and 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Nature of Organization

The Los Carneros Water District ("District") was formed in 1977 as a special District under the provisions of Division 13 of the California Water Code Sec. 34000-38501. The District was organized to provide reclaimed water service to the unincorporated community of Carneros in southwest Napa County. The Board of Directors assumes managerial duties of the District. The basic operations of the District are financed by direct assessments of the landowners within the District.

No operations of other entities met the aforementioned oversight criteria for inclusion or exclusion from the accompanying basic financial statements in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, as amended by GASB Statement No. 39.

The accompanying statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The financial statements include all organizations, activities, and functions that comprise the District. Component units are legally separate entities for which the District (the primary entity) is financially accountable. Financial accountability is defined as the ability to appoint a voting majority of the organization's governing body and either 1) the District's ability to impose its will over the organization or 2) the potential that the organization will provide a financial benefit to, or impose a financial burden on the District. Using these criteria, the District has no component units.

The following significant accounting policies were applied in the preparation of the accompanying financial statements:

B. Basis of Presentation

Government-wide Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. The District only uses governmental activities, which normally are supported by special assessments and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues consists of operating grants and contributions for construction purposes and direct special assessments of the landowners of the District that are restricted to meeting the operational or capital requirements of the District. Interest from investments not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, revenues and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The District's funds are organized into one major category: governmental and reflect those funds through which all of the governmental functions of the District are financed. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and

LOS CARNEROS WATER DISTRICT

Notes to Basic Financial Statements

June 30, 2023 and 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements (continued)

- Total assets, liabilities, revenues or expenditures/expenses of that individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The following are the District's major governmental fund types:

- The General Operating Fund accounts for all financial resources of the District that are not required to be accounted for in another fund.
- The Debt Service Fund accounts for the future repayments of the construction financing amount.

C. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The flow of current financial resources measurement focus and modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available).

"Measurable" means the amount of the transaction can be determined and "available" means collectable within the current period or soon enough thereafter to be used to pay liabilities of the current period. A ninety (90) day availability period is used for revenue recognition for all governmental fund revenues. The District's revenues are recognized when susceptible to accrual, i.e., when they become measurable and available, and would include all grants sources. Available means collectable within the current period or soon enough thereafter to be used to pay liabilities of the current period.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, if measurable, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. However, liabilities not expected to be liquidated with expendable, available financial resources are not reported immediately as expenditures and liabilities of governmental funds.

Non-exchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include operating and capital grants and contributions, direct special assessments, entitlements, and donations. On the accrual basis, revenue from direct special assessments are recognized in the fiscal year for which the assessment is levied or assessed. Revenue from operating and capital grants and contributions, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

General revenues include interest income, donations and fines from late payments of direct assessments to the District.

Net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through enabling legislation. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

LOS CARNEROS WATER DISTRICT

Notes to Basic Financial Statements

June 30, 2023 and 2022

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Budgets and Budgetary Accounting

Under Sec. 53065 of the Government Code, districts whose governing body is the county Board of Supervisors, or for which the county fiscal officers are ex officio officers of the district, are subject to the budget provisions of the Government Code Sections 29000-29143, which include a requirement that a budgetary accounting system be used. Since an annual budget is legally adopted, budgetary amounts are presented in conformity with Statement 1 of the National Council on Governmental Accounting. This sometimes results in substantial variances from budget when financial statements are presented in accordance with generally accepted accounting principles.

The District's Governing Board must approve a tentative budget no later than June 30, and adopted a budget no later than September 30, of the new fiscal year. A public hearing must be conducted to receive comments prior to adoption. The District's Governing Board satisfied these requirements. The District revises the budget during the year to give conditions to unanticipated expenditures. The original and final (if revised) budget is presented in financial statements.

E. Assessment Receivables

In the government-wide statements, assessment receivables consist of current fiscal year special assessments from landowners for meeting current operating and debt service needs of the District that have been earned by fiscal year-end but not yet received. In addition, this receivable includes future special assessments from landowners anticipated to meet the long-term debt service obligations of the District. Allowance for uncollectible receivables, if any, are based upon historical trends and the periodic aging of receivables. The District has no allowance at either fiscal year-end.

In the fund financial statements, only current special assessment receivables are included in the governmental funds since they are both measurable and available. Interest and investment earnings are recorded when earned only if paid within sixty (60) days since they would be considered both measurable and available.

F. Cash, Investments and Cash Equivalents

The District has adopted Governmental Accounting Standards Board (GASB) Statement No. 31, *Accounting and Financial Reporting for Certain Investments and For External Investment Pools*. The cash and cash equivalents reported on the balance sheet include cash with County Treasurer. The Napa County Treasury is an external investment pool for the District and the District is considered an involuntary participant. State statutes authorize the District and County to invest its cash surplus in obligations of the U.S. Treasury, agencies, and instrumentalities, corporate bonds, medium term notes, bankers' acceptances, certificates of deposit, commercial paper, repurchase agreements, and the State of California Local Agency Investment Fund.

Participant's equity in the investment pool is determined by the dollar amount of participant's deposits, adjusted for withdrawals and distributed investment income. Investment income is determined on the amortized cost basis. Amortized premiums and accreted discounts, accrued interest and realized gains and losses, net of expenses, are apportioned to pool participants every quarter based on the participant's average daily cash balance at quarter end in relation to the total pool investments. This method differs from the fair value method used to value investments in these financial statements. In these financial statements, the fair value of the District's investments in the pool was based on unaudited quoted market values as provided by the County Treasurer. The pool has not provided or obtained any legally binding guarantees during the period to support the value of investments.

The County has established a treasury oversight committee to monitor and review the management of public funds maintained in the investment pool in accordance with Article 6 Section 27131 of the California Government Code. The oversight committee and the Board of Supervisors review and approve the investment policy annually. The County Treasurer prepares and submits a comprehensive investment report to the members of the oversight committee and the investment pool participants every month. The report covers the type of investments in the pool, maturity dates, par value, actual cost and fair value.

LOS CARNEROS WATER DISTRICT

Notes to Basic Financial Statements

June 30, 2023 and 2022

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Nonspendable/Restricted/Committed/Assigned/Unassigned of Ending Fund Balance

Applying the requirements of GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the District has established the following classifications for ending fund balance:

Nonspendable fund balance includes those amounts that are not in a spendable form (inventory, for example) or are required to be maintained intact. The District has no nonspendable fund balance.

Restricted fund balance includes amounts that can be spent only for specific purposes stipulated by external resource provider, constitutionally, or through enabling legislation. The District has restricted fund balance at June 30, 2023 and 2022 in the amounts of \$335,220, respectively.

Committed fund balance includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The District has no committed fund balance.

Assigned fund balance includes amounts *intended* to be used by the government for specific purposes. Intent can be expressed by the governing body or by an official, or body to which the governing body delegates the authority. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. The District's Board of Directors has no assigned fund balance.

Unassigned fund balance is the residual classification for the general fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose. After any above designations, the District's remaining fund balances at June 30, 2023 and 2022 are unassigned.

H. Net Position

The District's financial statements utilize the net position presentation. Net position comprises the various net earnings from operating and general revenues shown as the difference between assets and liabilities. Net position is classified in the following two components: restricted and unrestricted.

- *Restricted* - This category presents external restrictions imposed by law through constitutional provision or enabling legislation and legal limitations imposed on their use by other governments, creditors, contributors or grantors.
- *Unrestricted* - This category represents the net position of the District, not restricted for any project or for any other purpose.

I. Use of Estimates

The preparation of these financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

J. Risk Management

The District is exposed to various risks of loss related to torts; theft of assets; errors and omissions; and natural disasters for which the District carries commercial insurance.

LOS CARNEROS WATER DISTRICT

Notes to Basic Financial Statements

June 30, 2023 and 2022

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Subsequent Events

Subsequent events provide evidence with respect to conditions that *did not exist* at the statement of net position date, but that arose subsequent to that date and are essential to the user's understanding of the financial statements. The District had no subsequent events for either fiscal year.

L. Interest Expense

State revolving loan interest expense is considered a direct functional expense of the District and is included in program expenditures.

NOTE 2 – CASH AND CASH EQUIVALENTS

The County maintains a cash and investment pool in order to facilitate the management of cash. Los Carneros Water District's portion of this pool is displayed on the Statement of Net Position as "Cash in Treasury". Cash in excess of current requirements is invested in various interest-bearing securities. Interest is allocated quarterly based on average daily cash balances. The Treasurer's investments and policies are overseen by the Napa County Treasurer Oversight Committee. Cash and cash equivalents, as combined, at June 30, 2023 and 2022, consisted of the following:

	<u>6/30/23</u>	<u>6/30/22</u>
With County Treasurer	<u>\$ 822,677</u>	<u>\$ 815,482</u>

Included in the Cash held with County Treasurer are restricted reserves for the Debt Service Fund in the amount of \$335,220 at both June 30, 2023 and 2022.

Required disclosures for the District's deposit and investment risks for the cash held in the County Treasury at June 30, 2023 and 2022, were as follows:

Credit Risk	Not Rated
Custodial Risk	Not Applicable
Concentration of credit risk	Not Applicable
Interest rate risk	See disclosure above

NOTE 3 – CHANGES IN NON-CURRENT LIABILITIES

A summary of the non-current debt transactions for each of the years ended, is presented below:

	Balance			Balance	Due in
	July 1, 2021	Increases	Reductions	June 30, 2022	one year
CWSRF Revolving Loan	\$ 3,179,582	\$ -	\$ 388,424	\$ 2,791,158	\$ 307,308
Accrued Interest	23,847	28,883	31,796	20,934	27,912
Total	3,203,429	28,883	420,220	2,812,092	335,220
	Balance			Balance	Due in
	July 1, 2022	Increases	Reductions	June 30, 2023	one year
CWSRF Revolving Loan	\$ 2,791,158	\$ -	\$ 391,308	\$ 2,399,850	\$ 311,221
Accrued Interest	20,934	24,977	27,912	17,999	23,999
Total	2,812,092	24,977	419,220	2,417,849	335,220

LOS CARNEROS WATER DISTRICT

Notes to Basic Financial Statements

June 30, 2023 and 2022

NOTE 3 – CHANGES IN NON-CURRENT LIABILITIES (Continued)

Effective February 10, 2015, the District successfully negotiated a construction financing loan from the Clean Water State Revolving Fund (CWSRF) and administered by the California State Water Resources Control Board (SWRCB). The total program financing amount, as subsequently amended on July 2, 2015 and again on October 2, 2015, was \$10,728,385 and was due and payable, together with accrued interest at 1% per annum, in equal annual installment payments of \$417,656.11 on September 30th of each year, with the first installment beginning September 30, 2017. This installment payment was based on total projected disbursements under the loan, which were projected to be equal to the total program financing amount. Since construction has been completed, the construction loan balance was finalized and changed to a revolving loan on July 18, 2017 with a beginning balance of \$8,653,148 at July 1, 2017. The SWRCB had revised the annual installment payment beginning September 30, 2017 to \$335,219.54, including interest thereon, and was payable over thirty years, maturing September 30, 2046. However, since the District has made additional principal payments each fiscal year, the loan's revised maturity date is September 30, 2030, with a final payment of \$156,394.56, including interest.

This revolving loan is secured by a lien on and pledge of the Assessment Fund, Assessments and any Reserve Funds. Specifically pledged as security were the 2014 Special Assessments in the amount of \$1,484,933, which were collected during the prior two fiscal years and remained at June 30, 2017 as restricted funds in the debt service fund. During the year-end June 30, 2018, the District used these assessments to reduce the loan balance. In addition, landowners were given the option to "prepay" their future assessments related to construction and the District collected \$781,337 during the two fiscal years. Due to the lower construction costs, the prepaid assessments were partially refunded in the amount of \$514,932 to reflect equitable contribution by all District members. During the year-end June 30, 2018, the District also used the remaining balance of these prepaid assessments to reduce the loan balance. Thus the balance in the restricted fund balance for these prior special assessments at June 30, 2023 and 2022 remain at zero.

In accordance with the financing agreement, the District shall establish a restricted reserve fund, held in the District Fund, equal to one year's debt service. At June 30, 2023 and 2022, the balance of this reserve/restriction is \$335,220, respectively. It is shown as restricted cash reserves on the Governmental balance sheets and the Statements of Net Position.

The District shall establish a 2nd restricted reserve fund, held in the District Fund, equal to fifty percent (50%) of the annual debt service. In lieu of this reserve, the District may have annual operating revenues equal to 1.10 of the debt coverage requirement or \$368,742. For the years ended June 30, 2023 and 2022, the District has met this annual operating revenue requirement so no additional reserve is required.

Debt service requirements at June 30, 2023, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2023	\$ 311,221	\$ 23,999	\$ 335,220
2024	314,333	20,887	335,220
2025	317,477	17,743	335,220
2026	320,651	14,569	335,220
2027	323,858	11,362	335,220
2028-2032	812,310	14,524	826,834
Totals	\$ 2,399,850	\$ 103,084	\$ 2,502,934

**REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)**

**LOS CARNEROS WATER DISTRICT
BUDGETARY COMPARISON SCHEDULE
GOVERNMENTAL ACTIVITIES - ALL GOVERNMENTAL FUNDS
For The Year Ended June 30, 2023**

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Direct assessments	\$ 435,400	\$ 435,400	\$ 435,397	\$ (3)
Use of money	5,420	5,420	7,880	2,460
Fines and penalties	-	-	1,199	1,199
Total Revenues	440,820	440,820	444,476	3,656
EXPENDITURES				
Current:				
Insurance	500	500	463	37
Supplies	2,000	2,000	600	1,400
Professional services - accounting and audit	7,100	7,100	4,075	3,025
Professional services - legal	7,500	7,500	4,193	3,307
Professional services - engineering	5,500	5,500	5,458	42
Rents and leases	-	-	-	-
Debt service - principal	393,000	393,000	391,308	1,692
Debt service - interest	27,220	27,220	27,912	(692)
Total Expenditures	442,820	442,820	434,009	8,811
Changes in Fund Balance	(2,000)	(2,000)	10,467	12,467
Fund Balance, Beginning of Year	819,228	819,228	819,228	-
Fund Balance, End of Year	\$ 817,228	\$ 817,228	\$ 829,695	\$ 12,467

See accompanying notes to the required supplementary information.

**LOS CARNEROS WATER DISTRICT
BUDGETARY COMPARISON SCHEDULE
GOVERNMENTAL ACTIVITIES - ALL GOVERNMENTAL FUNDS
For The Year Ended June 30, 2022**

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Direct assessments	\$ 435,400	\$ 435,400	\$ 435,397	\$ (3)
Use of money	8,000	8,000	4,716	(3,284)
Fines and penalties	-	-	201	201
Total Revenues	443,400	443,400	440,314	(3,086)
EXPENDITURES				
Current:				
Insurance	500	500	455	45
Supplies	2,000	2,000	600	1,400
Professional services - accounting and audit	6,100	6,100	6,783	(683)
Professional services - legal	7,600	7,600	5,595	2,005
Professional services - engineering	4,800	4,800	6,237	(1,437)
Rents and leases	-	-	-	-
Debt service - principal	422,500	422,500	388,424	34,076
Debt service - interest	32,800	32,800	31,796	1,004
Total Expenditures	476,300	476,300	439,890	36,410
Changes in Fund Balance	(32,900)	(32,900)	424	33,324
Fund Balance, Beginning of Year	818,804	818,804	818,804	-
Fund Balance, End of Year	\$ 785,904	\$ 785,904	\$ 819,228	\$ 33,324

LOS CARNEROS WATER DISTRICT
Note to the Required Supplementary Information
June 30, 2023 and 2022

A. BUDGETARY BASIS OF ACCOUNTING

The District follows these procedures annually in establishing the budgetary data reflected in the financial statements:

1. The Board of Directors reviews the proposed budget at regularly scheduled meetings, which are open to the public.
2. Prior to July 1, the budget is adopted through the passage of a resolution.
3. From the effective date of the budget, the amounts stated therein, as proposed expenditures become appropriations. The Board of Directors may amend the budget by motion during the fiscal year.

Formal budgetary integration is employed as a management control device during the year. The District presents a comparison of annual budgets to actual results for the General Fund. The amounts reported on the budgetary basis are generally on a basis consistent with accounting principles generally accepted in the United States of America.

The District does not use encumbrance accounting, under which purchase orders, contracts and other commitments for expenditure of monies are recorded in order to reserve that portion of the applicable appropriation.

B. EXPLANATIONS TO SIGNIFICANT VARIANCES

1. Debt Service – Principal and Interest

FY 2021-22: The positive variance in the debt service - principal expenditures is due to aggressively budgeting for loan repayments during the fiscal year and the level of actual principal paid did not reach the budgeted amount.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors and those charged with governance
Los Carneros Water District

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Los Carneros Water District, as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Los Carneros Water District's basic financial statements, and have issued my report thereon dated October 2, 2023.

Report on Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Los Carneros Water District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Los Carneros Water District's internal control. Accordingly, I do not express an opinion on the effectiveness of the Los Carneros Water District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Los Carneros Water District's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**INDEPENDENT AUDITOR'S REPORT
(Continued)**

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Charles W. Pillon, CPA

Anderson, California

October 2, 2023