

LOS CARNEROS WATER DISTRICT

BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2021 and 2020

TABLE OF CONTENTS

<u>FINANCIAL SECTION</u>	<u>Page</u>
Independent Auditor's Report	1-2
Basic Financial Statements:	
Statements of Net Position – June 30, 2021 and June 30, 2020	3
Statements of Activities – June 30, 2021 and June 30, 2020	4
Governmental Funds Balance Sheet – June 30, 2021	5
Reconciliation of Total Governmental Fund Balances to the Government-Wide Statement of Net Position – Governmental Activities - June 30, 2021	6
Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance – for the Fiscal Year Ended June 30, 2021	7
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Governmental-wide Statement of Activities - Governmental Activities - for the Fiscal Year Ended June 30, 2021	8
Governmental Funds Balance Sheet – June 30, 2020	9
Reconciliation of Total Governmental Fund Balances to the Government-Wide Statement of Net Position – Governmental Activities - June 30, 2020	10
Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance – for the Fiscal Year Ended June 30, 2020	11
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Governmental-wide Statement of Activities - Governmental Activities - for the Fiscal Year Ended June 30, 2020	12
Notes to the Financial Statements	13-19
Required Supplementary Information:	
Budgetary Comparison Schedule (GAAP Budgetary Basis) – Combined Governmental Funds:	
Fiscal Year ended June 30, 2021	20
Fiscal Year ended June 30, 2020	21
Notes to the Required Supplementary Information	22
Other Reports:	
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 <i>Government Auditing Standards</i>	23-24

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INDEPENDENT AUDITOR'S REPORT

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

I have audited the accompanying financial statements of the governmental activities and each major fund of Los Carneros Water District as of and for the fiscal years 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 opinions 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Los Carneros Water District as of June 30, 2021 and 2020 and the respective changes in financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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

Other Matters

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 information on pages 20 to 22 be presented to supplement the basic financial statements. Such 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. 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, 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. 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 5, 2021, 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 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 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

October 5, 2021

LOS CARNEROS WATER DISTRICT
STATEMENTS OF NET POSITION
June 30, 2021 and 2020

	<u>June 30,</u> <u>2021</u>	<u>June 30,</u> <u>2020</u>
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 482,436	\$ 488,759
Assessments receivable	<u>2,421,394</u>	<u>2,810,036</u>
Total current assets	<u>2,903,830</u>	<u>3,298,795</u>
Restricted cash reserves debt service	<u>335,220</u>	<u>335,220</u>
Total assets	<u>3,239,050</u>	<u>3,634,015</u>
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable	<u>-</u>	<u>-</u>
Total current liabilities	<u>-</u>	<u>-</u>
Non-current liabilities:		
Due within one year	327,271	326,280
Due in more than one year	<u>2,876,158</u>	<u>3,276,581</u>
Total non-current liabilities	<u>3,203,429</u>	<u>3,602,861</u>
Total liabilities	<u>3,203,429</u>	<u>3,602,861</u>
<u>NET POSITION</u>		
Unrestricted	<u>35,621</u>	<u>31,154</u>
Total net position	<u>\$ 35,621</u>	<u>\$ 31,154</u>

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

**LOS CARNEROS WATER DISTRICT
STATEMENTS OF ACTIVITIES
Fiscal Years Ended June 30, 2021 and 2020**

	June 30, 2021	June 30, 2020
<u>PROGRAM EXPENDITURES/EXPENSES:</u>		
Current:		
Insurance	\$ 447	\$ 500
Supplies	631	126
Interest expense	32,787	36,799
Professional services - accounting, audit, other	2,630	8,126
Professional services - legal	11,446	5,119
Professional services - engineering	5,063	4,965
Total program expenditures/expenses	53,004	55,635
<u>PROGRAM REVENUES:</u>		
Direct assessment collections	55,760	59,914
Total program revenues	55,760	59,914
Net program revenue (expense)	2,756	4,279
<u>GENERAL REVENUES:</u>		
Interest income	670	1,101
Fines and penalties	1,041	-
Total general revenues	1,711	1,101
Change in net position	4,467	5,380
Net position - beginning of year	31,154	25,774
Net position - end of year	\$ 35,621	\$ 31,154

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

**LOS CARNEROS WATER DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2021**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 59,468	\$ 422,968	\$ 482,436
Restricted cash reserves	-	335,220	335,220
Assessments receivable	-	1,148	1,148
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 59,468</u>	<u>\$ 759,336</u>	<u>\$ 818,804</u>
 <u>LIABILITIES</u>			
Accounts payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
 <u>FUND BALANCE</u>			
Restricted	-	335,220	335,220
Unassigned	59,468	424,116	483,584
	<u> </u>	<u> </u>	<u> </u>
Total fund balance	<u>59,468</u>	<u>759,336</u>	<u>818,804</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balance	<u>\$ 59,468</u>	<u>\$ 759,336</u>	<u>\$ 818,804</u>

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, 2021

Total Governmental Fund Balances	\$ 818,804
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	\$ 2,420,246
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	(3,179,582)
Accrued interest payable	(23,847)
	\$ 35,621
Net Position of Governmental Activities	\$ 35,621

**LOS CARNEROS WATER DISTRICT
GOVERNMENTAL FUNDS
REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
Fiscal Year Ended June 30, 2021**

	General Fund	Debt Service Fund	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
<u>REVENUES:</u>			
Direct assessment collections	\$ 20,000	\$ 415,397	\$ 435,397
Use of money	670	6,683	7,353
Fines and penalties	1,041	2,000	3,041
	<u> </u>	<u> </u>	<u> </u>
Total revenues	21,711	424,080	445,791
	<u> </u>	<u> </u>	<u> </u>
<u>EXPENDITURES:</u>			
Current:			
Insurance	447	-	447
Supplies	631	-	631
Professional services - accounting and audit	2,630	-	2,630
Professional services - legal	11,446	-	11,446
Professional services - engineering	5,063	-	5,063
Debt Service:			
Debt service - principal	-	396,459	396,459
Debt service - interest	-	35,760	35,760
	<u> </u>	<u> </u>	<u> </u>
Total expenditures	20,217	432,219	452,436
	<u> </u>	<u> </u>	<u> </u>
Excess of revenues over (under) expenditures	1,494	(8,139)	(6,645)
	<u> </u>	<u> </u>	<u> </u>
Fund balance - beginning of year	57,974	767,475	825,449
	<u> </u>	<u> </u>	<u> </u>
Fund balance - end of year	\$ 59,468	\$ 759,336	\$ 818,804
	<u> </u>	<u> </u>	<u> </u>

**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, 2021**

Net Change in Fund Balances - Total Governmental Funds **\$ (6,645)**

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	(379,637)
Use of money	(6,683)
Fines and penalties	(2,000)

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	396,459
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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	2,973
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Change in Net Position of Governmental Activities	\$ 4,467
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**LOS CARNEROS WATER DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2020**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 57,148	\$ 431,611	\$ 488,759
Restricted cash reserves	-	335,220	335,220
Assessments receivable	826	644	1,470
	<u>57,974</u>	<u>767,475</u>	<u>825,449</u>
Total assets	<u>\$ 57,974</u>	<u>\$ 767,475</u>	<u>\$ 825,449</u>
 <u>LIABILITIES</u>			
Accounts payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
 <u>FUND BALANCE</u>			
Restricted	-	335,220	335,220
Unassigned	57,974	432,255	490,229
	<u>57,974</u>	<u>767,475</u>	<u>825,449</u>
Total fund balance	<u>57,974</u>	<u>767,475</u>	<u>825,449</u>
Total liabilities and fund balance	<u>\$ 57,974</u>	<u>\$ 767,475</u>	<u>\$ 825,449</u>

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, 2020

Total Governmental Fund Balances	\$ 825,449
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	\$ 2,808,566
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	(3,576,041)
Accrued interest payable	(26,820)
	\$ 31,154
Net Position of Governmental Activities	\$ 31,154

**LOS CARNEROS WATER DISTRICT
GOVERNMENTAL FUNDS
REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
Fiscal Year Ended June 30, 2020**

	General Fund	Debt Service Fund	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
<u>REVENUES:</u>			
Direct assessment collections	\$ 20,000	\$ 415,396	\$ 435,396
Use of money	1,101	12,352	13,453
Fines and penalties	-	57	57
	<u> </u>	<u> </u>	<u> </u>
Total revenues	<u>21,101</u>	<u>427,805</u>	<u>448,906</u>
<u>EXPENDITURES:</u>			
Current:			
Insurance	500	-	500
Supplies	126	-	126
Professional services - accounting and audit	8,126	-	8,126
Professional services - legal	5,119	-	5,119
Professional services - engineering	4,965	-	4,965
Debt Service:			
Debt service - principal	-	415,306	415,306
Debt service - interest	-	39,914	39,914
	<u> </u>	<u> </u>	<u> </u>
Total expenditures	<u>18,836</u>	<u>455,220</u>	<u>474,056</u>
Excess of revenues over (under) expenditures	<u>2,265</u>	<u>(27,415)</u>	<u>(25,150)</u>
Fund balance - beginning of year	<u>55,709</u>	<u>794,890</u>	<u>850,599</u>
Fund balance - end of year	<u>\$ 57,974</u>	<u>\$ 767,475</u>	<u>\$ 825,449</u>

**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, 2020**

Net Change in Fund Balances - Total Governmental Funds **\$ (25,150)**

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	(375,482)
Use of money	(12,352)
Fines and penalties	(57)

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	415,306
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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	<u>3,115</u>
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Change in Net Position of Governmental Activities	<u><u>\$ 5,380</u></u>
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LOS CARNEROS WATER DISTRICT

Notes to Basic Financial Statements

June 30, 2021 and 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Nature of Organization

The Los Carneros Water 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 District has adopted the financial reporting provisions of GASB Statement No. 34 and has presented the Management's Discussion and Analysis (MD&A) that the GASB has determined is necessary to supplement, although not required to be part of, the basic financial statements.

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 (District). 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:

LOS CARNEROS WATER DISTRICT

Notes to Basic Financial Statements

June 30, 2021 and 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements (continued)

- 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
- 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 all of the financial resources of the District required to facilitate the financing of the construction project and the future repayments of this 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.

LOS CARNEROS WATER DISTRICT

Notes to Basic Financial Statements

June 30, 2021 and 2020

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued) Measurement Focus and Basis of Accounting (continued)

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.

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.

LOS CARNEROS WATER DISTRICT

Notes to Basic Financial Statements

June 30, 2021 and 2020

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued) Cash, Investments and Cash Equivalents (continued)

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.

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, 2021 and 2020 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, 2021 and 2020 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.

LOS CARNEROS WATER DISTRICT

Notes to Basic Financial Statements

June 30, 2021 and 2020

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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, 2021 and 2020, consisted of the following:

	<u>6/30/21</u>	<u>6/30/20</u>
With County Treasurer	<u>\$ 817,656</u>	<u>\$ 823,979</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, 2021 and 2020.

Required disclosures for the District's deposit and investment risks for the cash held in the County Treasury at June 30, 2021 and 2020, 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 the year ended June 30, 2020, is presented below:

	<u>Balance</u>			<u>Balance</u>	<u>Due in</u>
	<u>July 1, 2019</u>	<u>Increases</u>	<u>Reductions</u>	<u>June 30, 2020</u>	<u>one year</u>
CWSRF Revolving Loan	\$ 3,991,347	\$ -	\$ 415,306	\$ 3,576,041	\$ 299,460
Accrued Interest	29,935	36,798	39,913	26,820	35,760
Total due CWSRF	<u>4,021,282</u>	<u>36,798</u>	<u>455,219</u>	<u>3,602,861</u>	<u>335,220</u>

LOS CARNEROS WATER DISTRICT

Notes to Basic Financial Statements

June 30, 2021 and 2020

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

A summary of the non-current debt transactions for the year ended June 30, 2021, is presented below:

	Balance July 1, 2020	Increases	Reductions	Balance June 30, 2021	Due in one year
CWSRF Revolving Loan	\$ 3,576,041	\$ -	\$ 396,459	\$ 3,179,582	\$ 303,424
Accrued Interest	26,820	32,787	35,760	23,847	31,796
Total due CWSRF	<u>3,602,861</u>	<u>32,787</u>	<u>432,219</u>	<u>3,203,429</u>	<u>335,220</u>

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, 2031, with a final payment of \$5,149.20, 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, 2021 and 2020 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, 2021 and 2020, 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, 2021 and 2020, the District has met this annual operating revenue requirement so no additional reserve is required.

LOS CARNEROS WATER DISTRICT

Notes to Basic Financial Statements

June 30, 2021 and 2020

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

Debt service requirements at June 30, 2021, are as follows:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 303,424	\$ 31,796	\$ 335,220
2023	306,458	28,762	335,220
2024	309,523	25,697	335,220
2025	312,618	22,602	335,220
2026	315,744	19,476	335,220
2027-2031	1,626,716	49,384	1,676,100
2032-2036	5,098	51	5,149
Totals	<u>\$3,179,582</u>	<u>\$ 177,767</u>	<u>\$ 3,357,349</u>

REQUIRED SUPPLEMENTARY INFORMATION

**LOS CARNEROS WATER DISTRICT
BUDGETARY COMPARISON SCHEDULE
GOVERNMENTAL ACTIVITIES - ALL GOVERNMENTAL FUNDS
Fiscal Year Ended June 30, 2021**

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
<u>REVENUES:</u>				
Direct assessments	\$ 435,400	\$ 435,400	\$ 435,397	\$ (3)
Use of money	12,000	12,000	7,353	(4,647)
Fines and penalties	2,000	2,000	3,041	1,041
	<u>449,400</u>	<u>449,400</u>	<u>445,791</u>	<u>(3,609)</u>
<u>EXPENDITURES:</u>				
<u>Program expenditures:</u>				
Insurance	500	500	447	53
Supplies	2,000	2,000	631	1,369
Professional services - accounting and audit	10,700	10,700	2,630	8,070
Professional services - legal	3,000	3,000	11,446	(8,446)
Professional services - engineering	4,800	4,800	5,063	(263)
Rents and leases	-	-	-	-
Debt service - principal	415,306	415,306	396,459	18,847
Debt service - interest	46,200	46,200	35,760	10,440
	<u>482,506</u>	<u>482,506</u>	<u>452,436</u>	<u>30,070</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(33,106)</u>	<u>(33,106)</u>	<u>(6,645)</u>	<u>26,461</u>
Fund balance, beginning of year	<u>825,449</u>	<u>825,449</u>	<u>825,449</u>	<u>-</u>
Fund balance, end of year	<u>\$ 792,343</u>	<u>\$ 792,343</u>	<u>\$ 818,804</u>	<u>\$ 26,461</u>

See accompanying notes to the required supplementary information.

**LOS CARNEROS WATER DISTRICT
BUDGETARY COMPARISON SCHEDULE
GOVERNMENTAL ACTIVITIES - ALL GOVERNMENTAL FUNDS
Fiscal Year Ended June 30, 2020**

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
<u>REVENUES:</u>				
Direct assessments	\$ 435,400	\$ 435,400	\$ 435,396	\$ (4)
Use of money	16,000	16,000	13,453	(2,547)
Fines and penalties	2,000	2,000	57	(1,943)
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	453,400	453,400	448,906	(4,494)
<u>EXPENDITURES:</u>				
<u>Program expenditures:</u>				
Insurance	500	500	500	-
Supplies	1,400	1,400	126	1,274
Professional services - accounting and audit	11,100	11,100	8,126	2,974
Professional services - legal	3,000	3,000	5,119	(2,119)
Professional services - engineering	4,800	4,800	4,965	(165)
Rents and leases	200	200	-	200
Debt service - principal	504,000	504,000	415,306	88,694
Debt service - interest	46,200	46,200	39,914	6,286
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	571,200	571,200	474,056	97,144
Excess (deficiency) of revenues over (under) expenditures	<hr/>	<hr/>	<hr/>	<hr/>
	(117,800)	(117,800)	(25,150)	92,650
Fund balance, beginning of year	<hr/>	<hr/>	<hr/>	<hr/>
	850,599	850,599	850,599	-
Fund balance, end of year	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 732,799	\$ 732,799	\$ 825,449	\$ 92,650

LOS CARNEROS WATER DISTRICT
Note to the Required Supplementary Information
June 30, 2021 and 2020

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 2020-21 and 2019-20: 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.

Charles W. Pilon, C.P.A.

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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, 2021 and 2020, 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 5, 2021.

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) to determine the 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 may exist that have not been identified.

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

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*.

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. Pilon, CPA

October 5, 2021