

CONGRESS VALLEY WATER DISTRICT
BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

District's Board of Directors
Congress Valley Water District
Napa, California

Opinions

I have audited the accompanying financial statements of the Enterprise Operating Fund of the Congress Valley Water District, as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Congress Valley 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 Enterprise Operating Fund of the Congress Valley Water District, as of June 30, 2022 and 2021, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 Congress Valley 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 Congress Valley 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.

- 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 Congress Valley 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 Congress Valley 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 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. Management has omitted the Management's Discussion and Analysis (MD&A), which the Governmental Accounting Standards Board has determined is required supplementary information, although not required to be part of the basic financial statements. My opinions have not changed because of this omitted information.

A handwritten signature in blue ink, appearing to read "Charles W. Pilon, CPA". The signature is stylized and cursive.

Charles W. Pilon, CPA

February 1, 2023

CONGRESS VALLEY WATER DISTRICT
Statement of Net Position
June 30, 2022

ASSETS

Cash in treasury	\$ 859,268
Taxes receivable	42,440
Capital assets:	
Depreciable capital assets, net	<u>135,046</u>
Total Assets	<u>1,036,754</u>

LIABILITIES

Accounts payable	<u>52,938</u>
Total liabilities	<u>52,938</u>

NET POSITION

Net investment in capital assets	135,046
Unrestricted	<u>848,770</u>
Total net position	<u><u>\$ 983,816</u></u>

CONGRESS VALLEY WATER DISTRICT
Statement of Net Position
June 30, 2021

ASSETS

Cash in treasury	\$ 976,454
Taxes receivable	32,540
Intergovernmental	882
Capital assets:	
Depreciable capital assets, net	<u>157,708</u>
Total Assets	<u>1,167,584</u>

LIABILITIES

Accounts Payable	89,619
Customer Deposits	<u>6,256</u>
Total liabilities	<u>95,875</u>

NET POSITION

Net investment in capital assets	157,708
Unrestricted	<u>914,001</u>
Total net position	<u>\$ 1,071,709</u>

CONGRESS VALLEY WATER DISTRICT
Statement of Revenues, Expenses and Change in Net Position
For the Fiscal Year Ended June 30, 2022

OPERATING REVENUES

Hookups, net of refunds	\$	-
Total operating revenues		-

OPERATING EXPENSES

Professional services - Legal		73,151
Professional services - Directors' compensation		7,900
Professional services - Board secretary		14,208
Professional services - Accounting/Audit		1,364
Professional services - Other		1,008
Cost of water		122,610
Insurance		2,119
Depreciation		22,662
Other		2,277
Total operating expenses		247,299
Net operating (loss)		(247,299)

NONOPERATING REVENUES

Property taxes		151,959
Interest		7,447
Total nonoperating revenue		159,406
Change in net position		(87,893)
Net position - beginning of year		1,071,709
Net position - end of year	\$	983,816

CONGRESS VALLEY WATER DISTRICT
Statement of Revenues, Expenses and Change in Net Position
For the Fiscal Year Ended June 30, 2021

OPERATING REVENUES

Hookups, net of refunds	\$	-
Total operating revenues		-

OPERATING EXPENSES

Professional services - Legal		26,695
Professional services - Directors' compensation		6,400
Professional services - Board secretary		12,275
Professional services - Accounting/Audit		6,062
Professional services - Other		2,828
Cost of water		146,666
Insurance		4,238
Depreciation		22,662
Other		1,284
Total operating expenses		229,110
Net operating (loss)		(229,110)

NONOPERATING REVENUES

Property taxes		129,809
Interest		10,974
Fire recovery income		882
Total nonoperating revenue		141,665
Change in net position		(87,445)
Net position - beginning of year		1,159,154
Net position - end of year	\$	1,071,709

CONGRESS VALLEY WATER DISTRICT
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2022

Cash flows from operating activities:

Cash received from customers	\$ -
Cash paid to suppliers for goods and services	(267,574)
Net cash provided (used) by operating activities	(267,574)

Cash flows from noncapital financing activities:

County tax receipts	142,058
Fire recovery receipts	882
Net cash provided (used) by noncapital financing activities	142,940

Cash flows from investing activities:

Interest received	7,447
Net cash provided from investing activities	7,447
Net increase (decrease) in cash in treasury	(117,187)
Cash in treasury at beginning of year	976,454
Cash in treasury at end of year	\$ 859,267

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

Operating (loss):	\$ (247,299)
Adjustments to reconcile operating (loss) to net cash provided (used) by operating activities:	
Depreciation expense	22,662
Increase (decrease) in accounts payable	(36,681)
Increase (decrease) in customer deposits	(6,256)
Total adjustments	(20,275)
Net cash provided (used) by operating activities	\$ (267,574)

CONGRESS VALLEY WATER DISTRICT
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2021

Cash flows from operating activities:

Cash received from customers	\$ -
Cash paid to suppliers for goods and services	(129,001)
	(129,001)
Net cash provided (used) by operating activities	(129,001)

Cash flows from noncapital financing activities:

County tax receipts	127,078
	127,078
Net cash provided (used) by noncapital financing activities	127,078

Cash flows from investing activities:

Interest received	10,974
	10,974
Net cash provided from investing activities	10,974
Net increase (decrease) in cash in treasury	9,051
Cash in treasury at beginning of year	967,403
Cash in treasury at end of year	\$ 976,454

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

Operating (loss):	\$ (229,110)
Adjustments to reconcile operating (loss) to net cash provided (used) by operating activities:	
Depreciation expense	22,662
(Increase) decrease in prepaid expenses	2,119
Increase (decrease) in accounts payable	75,328
	100,109
Total adjustments	100,109
Net cash provided (used) by operating activities	\$ (129,001)

**CONGRESS VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 and 2021**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

The Congress Valley Water District was formed on December 7, 1949 under the provisions of the County Water District Act Statutes of 1913, Chapter 592, as amended. The District's name was changed on April 14, 1984 from Congress County Water District to Congress Valley Water District. The District is located in the southwestern portion of Napa County, and its function is to furnish domestic water distribution from the City of Napa water system to District residents. The Board of Directors assumes managerial duties of the District. The basic operations of the District are financed by property taxes received from the County of Napa.

Reporting Entity

The District's basic financial statements include the accounts of all District operations. The criteria for including organizations as component units within the District's reporting entity, as set forth in Section 2100 of the Government Accounting Standards Board's (GASB) Codification of Government Accounting and Financial Reporting Standards, include whether:

- The organization is legally separate
- The District holds the corporate powers of the organization
- The District appoints a voting majority of the organization's board
- The District is able to impose its will on the organization
- The organization has the potential to impose a financial benefit/burden on the District
- There is fiscal dependency by the organization on the District

Based on the aforementioned criteria, the District has no component units.

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

A. 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 activities of this fund are accounted for with a separate set of self-balancing accounts that comprise the District's assets, liabilities, net position, revenues and expenses.

The District uses the proprietary fund type (Enterprise Fund) to account for the operations of the District. The accounting is similar to that found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Enterprise Funds account for activities (i) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or (ii) that are required by laws or regulations that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues; or (iii) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

B. Measurement Focus and Basis of Accounting

The Enterprise Fund is accounted for on a flow of economic resources measurements focus and uses the accrual basis of accounting. Under this method, revenues (i.e. property taxes, interest and hookups) are recorded when earned and expenses are recorded at the time liabilities are incurred. With this measurement focus, all assets and liabilities associated with the operation of this fund are included on the Statement of Net Position. Net Position (i.e. total assets plus deferred outflows of resources net of total liabilities plus deferred inflows of resources) is segregated into net investment in capital assets, restricted and unrestricted components. Proprietary fund-type operating statements present increases (e.g. revenues) and decreases (e.g. expenses) in net position.

"Measurable" means the amount of the transaction can be determined. Expenses are recorded when the related fund liability is incurred. Those revenues susceptible to accrual are property taxes, interest revenue and charges for services, when applicable.

Non-operating revenues include all property taxes and interest income to the District.

**CONGRESS VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 and 2021**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net position is reported as restricted when constraints placed on net position 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.

Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 20 *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, all Financial Accounting Standards Board (FASB) statements and authoritative pronouncements issued before November 30, 1989 are applied to proprietary operations unless they conflict with GASB pronouncements. The District has elected not to apply FASB statements subsequent to November 30, 1989.

C. Budgetary Control

Budget integration is employed as a management control device. Budgets are formally adopted by the Board in June and take effect the following July 1.

D. Cash and Cash Equivalents

The cash and cash equivalents reported on the statement of net position and cash flow statements 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 accretion of 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.

E. Capital Assets

Capital assets are valued at cost where historical records are available and at estimated historical cost where no historical records exist. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extends the useful are not capitalized. Donated capital assets are recorded at market value on the date donated. The district capitalizes assets with an original cost or donated fair market of \$5,000 or more. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Depreciation is computed over 10-40 years for buildings and water distribution assets (utility plant) and 5-15 years for equipment, using the straight-line method.

F. Net Position

Net position is the difference between assets and liabilities. Net position invested in capital assets is capital assets, less accumulated depreciation and any outstanding debt related to the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are legal limitations imposed on their use by District legislation or external restrictions by other governments, creditors, or grantors.

**CONGRESS VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 and 2021**

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Property Taxes

The District receives property taxes from the County of Napa (County), which has been assigned the responsibility for assessment, collection, and apportionment of property taxes for all taxing jurisdictions within the County. Secured property taxes are levied on July 1 for the following fiscal year and on which date it becomes a lien on real property. Secured property taxes are due in two installments on November 1 and February 1 and are delinquent after December 10 and April 10, respectively. Property taxes on the unsecured roll are due on the July 1 lien date and become delinquent if unpaid by August 31.

The District participates in the County’s “Teeter Plan” method of property tax distribution and thus receives 100% of the District’s apportionment each fiscal year, eliminating the need for an allowance for uncollectible. The County, in return, receives all penalties and interest on the related delinquent taxes. Under the Teeter Plan, the County remits property taxes to the District based on assessments, not on collections, according to the following schedule: 55 percent in December, 40 percent in April, and 5 percent at the end of the fiscal year. Property tax is recognized when it is available and measurable. The District considers property tax as available if it is received within 60 days after fiscal year end.

H. 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.

NOTE 2 – CASH AND CASH EQUIVALENTS

The County maintains a cash and investment pool in order to facilitate the management of cash. Congress Valley 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, 2022 and 2021, consisted of the following:

Cash in County Treasury:	6/30/2022	6/30/2021
Cash in treasury - unrestricted	\$ 859,268	\$976,454
Total cash and cash equivalents	\$ 859,268	\$976,454

NOTE 3 – CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2022 and 2021 are as follows:

	Balance	Balance	Balance	Balance	Balance
	6/30/2020	Additions	6/30/2021	Additions	6/30/2022
Depreciable capital assets:					
Utility Plant	\$ 971,055	\$ -	\$ 971,055	\$ -	\$ 971,055
Less: accumulated depreciation:	790,685	22,662	813,347	22,662	836,009
Net depreciable capital assets	\$ 180,370	\$ (22,662)	\$ 157,708	\$ (22,662)	\$ 135,046

NOTE 4 – INSURANCE COVERAGE

The District is exposed to various risks of loss related to torts; theft of assets, damage to assets and the destruction of assets; errors and omissions; and natural disasters, for which the District has obtained commercial insurance coverage.

The District obtained the following comprehensive general liability insurance coverage for each of the fiscal years ended June 30, 2022 and 2021:

**CONGRESS VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 and 2021**

NOTE 4 – INSURANCE COVERAGE (continued)

	<u>6/30/2022</u>	<u>6/30/2021</u>
General Commercial Liability:		
Each Occurrence	\$ 1,000,000	\$ 1,000,000
Annual Aggregate	3,000,000	3,000,000
Products Aggregate	3,000,000	3,000,000
Personal Injury/Aggregate	1mil/3mil	1mil/3mil
Fire Legal Liability	1,000,000	1,000,000
Directors' & Officers' (Wrongful Acts):		
Each Occurrence/Aggregate	1mil/3mil	1mil/3mil
Automobile Liability:		
Hired and Non-owned Liability	\$ 1,000,000	\$ 1,000,000

NOTE 5 – SUBSEQUENT EVENT

In a letter dated August 17, 2021, the District was notified that they had breached the water supply contract between the City of Napa ("City") and the District by taking excess water for the calendar year 2021 based on meter readings from February 1, 2021 to July 1, 2021. The District immediately took measures to minimize the water it takes from the City. The District and City have negotiated the terms of a new long-term wholesale water agreement to begin on February 1, 2023 and end on January 31, 2043. The agreement was ratified by the City Council on December 20, 2022 and has been approved by the District's Board of Directors. The agreement stipulates that the District will pay settlement costs of \$35,055 due to the District's overuse of water in 2021. This has been recorded as a liability and cost of water expense in the year ended June 30, 2021. The liability remains at June 30, 2022 and is due to be paid upon the full execution of the agreement.

NOTE 6 – COMMITMENTS

The new long-term wholesale water agreement includes the following significant provisions for the District and the City for the Capital Improvement of District Infrastructure.

- The City shall be responsible for the capital improvement of District infrastructure.
- The District shall establish a restricted Capital Improvement Reserve Fund earmarked exclusively for expenditures related to the Capital Improvement of District Infrastructure. The District shall initially contribute three hundred thousand dollars (\$300,000) to the Reserve Fund by March 1, 2023. Prior to July 1, the District shall annually contribute eighteen thousand dollars (\$18,000) beginning in 2023 and each year thereafter for the term of the agreement.
- The City shall replace all District water meters on or about 2025 at the District expense. The District shall pay all actual costs associated with such meter replacement.
- Except as provided for the meter replacements in 2025, the Parties shall share all costs of Capital Improvements of District Infrastructure. The District shall pay sixty percent (60%) of such Capital Improvement costs and the City shall pay forty percent (40%) of such Capital Improvement costs that may be incurred during the term of this Agreement.
- The District shall pay the City invoices for Capital Improvements within thirty (30) days and may withdraw funds from its Capital Improvement Reserve fund to do so.

NOTE 7 – RELATED PARTY TRANSACTIONS

During the years ended June 30, 2022 and 2021, the District paid the County of Napa, a related party, \$2,372 and \$2,413, respectively, for accounting and administrative services. There are no amounts due by either party.