

CONGRESS VALLEY WATER DISTRICT
BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 and 2019

TABLE OF CONTENTS

Independent Auditor's Report	2-3
Statement of Net Position – June 30, 2020	4
– June 30, 2019	5
Statement of Activities and Changes in Net Position – for the Fiscal Year ended June 30, 2020	6
– for the Fiscal Year ended June 30, 2019	7
Statement of Cash Flows – Increase (Decrease) in	
Cash in Treasury – for the Fiscal Year ended June 30, 2020	8
– for the Fiscal Year ended June 30, 2019	9
Notes to the Financial Statements	10-14

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INDEPENDENT AUDITOR'S REPORT

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

I have audited the accompanying financial statements of the business-type activities and each major fund of Congress Valley Water District as of and for the fiscal years then ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audits 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 opinions the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of Congress Valley Water District as of June 30, 2020 and 2019, and the respective changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

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 are not changed because of this omitted information.



Charles W. Pilon, CPA

November 2, 2020

CONGRESS VALLEY WATER DISTRICT
Statement of Net Position
June 30, 2020

	Business-type Activities
	Enterprise Fund
	General
	Operating
ASSETS	
Current assets:	
Cash in treasury	\$ 967,403
Taxes receivable	29,809
Prepaid insurance	2,119
Total current assets	999,331
Noncurrent assets:	
Capital assets, net of depreciation	180,370
Total noncurrent assets	180,370
Total Assets	\$ 1,179,701
LIABILITIES	
Current liabilities:	
Accounts Payable	\$ 14,291
Customer Deposits	6,256
Total current liabilities	20,547
Total liabilities	\$ 20,547
NET POSITION	
Investment in capital assets	\$ 180,370
Unrestricted	978,784
Total net position	\$ 1,159,154

CONGRESS VALLEY WATER DISTRICT
Statement of Net Position
June 30, 2019

	Business-type Activities
	Enterprise Fund
	General
	Operating
ASSETS	
Current assets:	
Cash in treasury	\$ 907,874
Taxes receivable	22,433
Intergovernmental	1,788
Prepaid insurance	1,396
Total current assets	933,491
Noncurrent assets:	
Capital assets, net of depreciation	202,317
Total noncurrent assets	202,317
Total Assets	\$ 1,135,808
LIABILITIES	
Current liabilities:	
Accounts Payable	\$ 11,532
Total current liabilities	11,532
Total liabilities	11,532
NET POSITION	
Investment in capital assets	202,317
Unrestricted	921,959
Total net position	\$ 1,124,276

CONGRESS VALLEY WATER DISTRICT
Statement of Activities and Changes in Net Position
For the Fiscal Year Ended June 30, 2020

	Business-type Activities
	Enterprise Fund
	General Operating
EXPENSES	
Professional services - Legal	\$ 21,944
Professional services - Directors' compensation	4,500
Professional services - Board secretary	9,050
Professional services - Accounting/Audit	1,150
Professional services - Other	844
Cost of water	49,873
Insurance	1,396
Interest	112
Depreciation	21,947
Other	1,042
	111,858
Total expenses	111,858
OPERATING REVENUES	
Hookups, net of refunds	7,683
	7,683
Total operating revenues	7,683
Net operating (loss)	(104,175)
NONOPERATING REVENUES	
Property taxes	120,246
Interest	18,797
	139,043
Total nonoperating revenue	139,043
OTHER FINANCING SOURCES (USES)	
Fire recovery income	10
	10
Total other financing sources (uses)	10
Change in net position	34,878
Net position - beginning of year	1,124,276
Net position - end of year	\$ 1,159,154

CONGRESS VALLEY WATER DISTRICT
Statement of Activities and Changes in Net Position
For the Fiscal Year Ended June 30, 2019

	Business-type Activities
	Enterprise Fund
	General Operating
EXPENSES	
Professional services - Legal	\$ 17,544
Professional services - Directors' compensation	5,275
Professional services - Board secretary	11,599
Professional services - Accounting/Audit	11,591
Professional services - Other	865
Cost of water	41,822
Insurance	2,119
Interest	104
Depreciation	22,942
Other	1,027
	114,888
Total expenses	114,888
OPERATING REVENUES	
Hookups, net of refunds	7,759
	7,759
Total operating revenues	7,759
Net operating (loss)	(107,129)
NONOPERATING REVENUES	
Property taxes	110,007
Interest	17,688
	127,695
Total nonoperating revenue	127,695
OTHER FINANCING SOURCES (USES)	
Fire recovery income	3,920
	3,920
Total other financing sources (uses)	3,920
Change in net position	24,486
Net position - beginning of year	1,099,790
Net position - end of year	\$ 1,124,276

CONGRESS VALLEY WATER DISTRICT
Statement of Cash Flows - Increase (Decrease) in Cash in Treasury
For the Fiscal Year Ended June 30, 2020

	Business-type Activities
	Enterprise Fund
	General
	Operating
Cash flows from operating activities:	
Cash received from customers	\$ 7,683
Cash paid to suppliers for goods and services	(81,507)
Net cash provided (used) by operating activities	(73,824)
Cash flows from noncapital financing activities:	
County tax receipts	112,870
Fire recovery receipts	1,798
Net cash provided (used) by noncapital financing activities	114,668
Cash flows from capital and related financing activities:	
Interest expense	(112)
Net cash provided (used) by capital and related financing activities	(112)
Cash flows from investing activities:	
Interest received	18,797
Net cash provided from investing activities	18,797
Net increase (decrease) in cash in treasury	59,529
Cash in treasury at beginning of year	907,874
Cash in treasury at end of year	\$ 967,403
Reconciliation of operating (loss) to net cash provided by operating activities:	
Operating (loss):	\$ 104,175
Adjustments to reconcile operating (loss) to net cash provided (used) by operating activities:	
Depreciation expense	21,947
Interest expense	112
(Increase) decrease in prepaid expenses	(723)
Increase (decrease) in accounts payable	8,715
Increase (decrease) in customer deposits	300
Total adjustments	30,351
Net cash provided (used) by operating activities	\$ 134,526

CONGRESS VALLEY WATER DISTRICT
Statement of Cash Flows - Increase (Decrease) in Cash in Treasury
For the Fiscal Year Ended June 30, 2019

	Business-type Activities
	Enterprise Fund
	General
	Operating
Cash flows from operating activities:	
Cash received from customers	\$ 7,759
Cash paid to suppliers for goods and services	(361,845)
Net cash provided (used) by operating activities	(354,086)
Cash flows from noncapital financing activities:	
County tax receipts	109,021
Fire recovery receipts	2,132
Net cash provided (used) by noncapital financing activities	111,153
Cash flows from capital and related financing activities:	
Interest expense	(195)
Loan principal repayments	(10,905)
Net cash provided (used) by capital and related financing activities	(11,100)
Cash flows from investing activities:	
Interest received	17,688
Net cash provided from investing activities	17,688
Net increase (decrease) in cash in treasury	(236,345)
Cash in treasury at beginning of year	1,144,219
Cash in treasury at end of year	\$ 907,874
Reconciliation of operating (loss) to net cash provided by operating activities:	
Operating (loss):	\$ 107,129
Adjustments to reconcile operating (loss) to net cash provided (used) by operating activities:	
Depreciation expense	22,942
Interest expense	104
Increase (decrease) in accounts payable	(270,003)
Total adjustments	(246,957)
Net cash provided (used) by operating activities	\$ (139,828)

**CONGRESS VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 and 2019**

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.

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 but has elected not to present 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 accounting and reporting policies of the District relating to the funds and account groups included in the accompanying basic financial statements conform in all material respects to generally accepted accounting principles as well as accounting systems prescribed by the State Controller and state regulations governing special districts.

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

A. 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.

B. Fund Financial and Government -Wide 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 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.

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on the District activities as a whole.

**CONGRESS VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 and 2019**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. Taxes and other items not properly included among program revenues are reported instead as non-operating revenues.

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. Property taxes are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 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 balance sheet. Net Position is segregated into 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. Expenditures 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.

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

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

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.

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. 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 income and expenditures.

**CONGRESS VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 and 2019**

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Cash and Cash Equivalents

The cash and cash equivalents reported on the balance sheets 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 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.

F. 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.

G. 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.

H. 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.

**CONGRESS VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 and 2019**

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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, 2020 and 2019, consisted of the following:

	<u>6/30/2020</u>	<u>6/30/2019</u>
Cash in County Treasurer:		
Cash in treasury - unrestricted	\$ 967,403	\$ 907,874
Total cash and cash equivalents	<u>\$ 967,403</u>	<u>\$ 907,874</u>

NOTE 3 – CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2020 and 2019 are as follows:

	<u>Balance</u>		<u>Balance</u>		<u>Balance</u>
	<u>6/30/2018</u>	<u>Additions</u>	<u>6/30/2019</u>	<u>Additions</u>	<u>6/30/2020</u>
Other capital assets being depreciated:					
Utility Plant	\$ 971,055	\$ -	\$ 971,055	\$ -	\$ 971,055
Less: Accumulated depreciation for:					
Utility Plant	745,796	22,942	768,738	21,947	790,685
Net other capital assets being depreciated, net	<u>\$ 225,259</u>	<u>\$ (22,942)</u>	<u>\$ 202,317</u>	<u>\$ (21,947)</u>	<u>\$ 180,370</u>

NOTE 4 – CHANGES IN NON-CURRENT LIABILITIES

On September 30, 1987, the State of California, Department of Water Resources, issued a \$400,000 loan to the District. The loan proceeds were used to finance the District’s water pipeline system. The annual interest rate of the loan is 3.3712% and the maturity date is April 1, 2018. The State of California imposed a 4% administrative fee (\$16,000) which is being amortized over the 30-year life of the loan.

A summary of the non-current debt transactions for the year ended June 30, 2019 is presented below:

	<u>Balance</u>		<u>Balance</u>
	<u>6/30/2018</u>	<u>Reduction</u>	<u>6/30/2019</u>
Loan Payable	<u>\$ 10,905</u>	<u>\$ 10,905</u>	<u>\$ -</u>

The debt was retired during the fiscal year ended June 30, 2019 so there are no future service requirements.

**CONGRESS VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 and 2019**

NOTE 5 – CONTRIBUTED CAPITAL

Grants and entitlements which the District receives for the acquisition or construction of capital assets were recorded as contributed capital.

The District received a grant of \$385,667 from the State of California in prior years. The funds were used to finance the new water pipeline system described in Note 4. The City of Napa contributed matching funds of \$112,442 for this project to be amortized over the 30-year life of the loan.

This contributed capital was being amortized from restricted to unrestricted net position over the life of the loan. Since the loan was paid off in the year ended June 30, 2019, all contributed capital is now considered unrestricted.

NOTE 6 – 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, 2020 and 2019:

	<u>6/30/20</u>	<u>6/30/19</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/\$1mil
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