

July 21, 2023

Board of Directors of the
Washington County Water District
Washington, California

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Washington County Water District for the years ended June 30, 2021 and 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated March 31, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Washington County Water District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2021 or 2020. We noted no transactions entered into by Washington County Water District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the District's financial statements were:

- Accrual and disclosure of payroll including compensated absences
- Allowance for doubtful accounts
- Capital asset lives and depreciation expense
- Record interest on debt

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

- Posting of all GASB 34 entries on behalf of the District
- Defer grant revenues for those not earned
- Record prepayments
- Record accruals at year ends.
- Record inter-fund activity
- Record depreciation

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated July 21, 2023.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Washington County Water District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Washington County Water District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

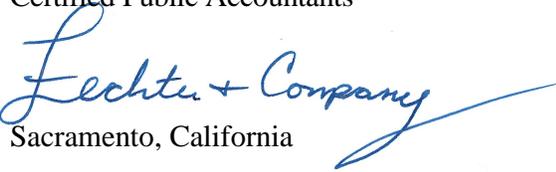
We applied certain limited procedures to budget comparisons, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial

statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the information and use of Board of Directors and management of Washington County Water District and is not intended to be, and should not be, used by anyone other than these specified parties.

Fechter & Company
Certified Public Accountants


Sacramento, California

**WASHINGTON COUNTY
WATER DISTRICT**

FINANCIAL STATEMENTS
With
Independent Auditor's Report thereon

JUNE 30, 2021 AND 2020

WASHINGTON COUNTY WATER DISTRICT

Financial Statements
June 30, 2021 and 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Washington County Water District
Washington, California

We have audited the accompanying financial statements of the governmental activities and business-type activities of the Washington County 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 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

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we 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, we 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.

To the Board of Directors
Washington County Water District
Washington, California

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and business-type activities of the Washington County Water District as of June 30, 2021 and 2020, and the respective changes in financial position for the years then ended in accordance 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 budgetary comparison information on pages 21-22 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. We 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 our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The Washington County Water District has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Fechter & Company
Certified Public Accountants


Sacramento, California
July 21, 2023

GOVERNMENT-WIDE FINANCIAL STATEMENTS

WASHINGTON COUNTY WATER DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2021

	Governmental Activities	Business-Type Activities	Total
<u>ASSETS</u>			
Cash and cash equivalents	\$ -	\$ 174,222	\$ 174,222
Accounts receivable, net of allowance for doubtful accounts of \$1,420	-	19,432	19,432
Due to / from other fund	91,950	(91,950)	-
Prepaid expenses	-	18,652	18,652
Capital assets	1,250	132,746	133,996
Total Assets	93,200	253,102	346,302
<u>LIABILITIES</u>			
Accounts payable	-	4,230	4,230
Accrued expenses	-	109,160	109,160
Long-Term Liabilities:			
Due within one year	-	2,053	2,053
Due in more than one year	-	68,524	68,524
Total Liabilities	-	183,967	183,967
<u>NET POSITION</u>			
Invested in capital assets, net of related debt	1,250	132,746	133,996
Unrestricted net position	91,950	(63,611)	28,339
Total Net Position	\$ 93,200	\$ 69,135	\$ 162,335

WASHINGTON COUNTY WATER DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended
June 30, 2021

	Program Revenue		Net Revenue (Expenses)			
	Expenses	Charges for Services	Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:						
General Government	\$ 15,616	\$ -	\$ 15,500	(116)	\$ -	\$ (116)
Total Governmental Activities	<u>15,616</u>	<u>-</u>	<u>15,500</u>	<u>(116)</u>	<u>-</u>	<u>(116)</u>
Business-Type Activities:						
Water	136,887	110,526	-	-	(26,361)	(26,361)
Interest on Long-Term Debt	3,309	-	-	-	(3,309)	(3,309)
Total Business-Type Activities	<u>140,196</u>	<u>110,526</u>	<u>-</u>	<u>-</u>	<u>(29,670)</u>	<u>(29,670)</u>
Total	<u>\$ 155,812</u>	<u>\$ 110,526</u>	<u>\$ 15,500</u>	<u>(116)</u>	<u>(29,670)</u>	<u>(29,786)</u>
General Revenues:						
Taxes:						
Property taxes				-	36,376	36,376
Other taxes				6,858	-	6,858
Interest				-	1,130	1,130
Miscellaneous				-	11	11
Total General Revenues				<u>6,858</u>	<u>37,517</u>	<u>44,375</u>
Change in Net Position				6,742	7,847	14,589
Net Position - Beginning				<u>86,457</u>	<u>61,288</u>	<u>147,745</u>
Net Position - Ending				<u>\$ 93,199</u>	<u>\$ 69,135</u>	<u>\$ 162,334</u>

WASHINGTON COUNTY WATER DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2020

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Cash and cash equivalents	\$ -	\$ 54,053	\$ 54,053
Accounts receivable, net of allowance for doubtful accounts of \$1,420	-	16,328	16,328
Grant receivable	-	-	-
Due to / from other fund	85,207	(85,207)	-
Prepaid expenses	-	-	-
Capital Assets	1,250	154,854	156,104
Total Assets	86,457	140,028	226,485
<u>LIABILITIES</u>			
Accounts payable	-	1,474	1,474
Accrued expenses	-	4,726	4,726
Long-Term Liabilities:			
Due within one year	-	1,963	1,963
Due in more than one year	-	70,577	70,577
Total Liabilities	-	78,740	78,740
<u>NET POSITION</u>			
Invested in capital assets, net of related debt	1,250	154,854	156,104
Unrestricted net position	85,207	(93,566)	(8,359)
Total Net Positions	\$ 86,457	\$ 61,288	\$ 147,745

WASHINGTON COUNTY WATER DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended
June 30, 2020

	<u>Expenses</u>	<u>Program Revenue</u>		<u>Net Revenue (Expenses)</u>		<u>Total</u>
		<u>Charges for Services</u>	<u>Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	
Governmental Activities:						
General Government	\$ 6,551	\$ -	\$ -	\$ (6,551)	\$ -	\$ (6,551)
Total Governmental Activities	6,551	-	-	(6,551)	-	(6,551)
Business-Type Activities:						
Water	146,370	82,928	-	-	(63,442)	(63,442)
Interest on Long-Term Debt	3,395	-	-	-	(3,395)	(3,395)
Total Business-Type Activities	149,765	82,928	-	-	(66,837)	(66,837)
Total	\$ 156,316	\$ 82,928	\$ -	(6,551)	(66,837)	(73,388)
General Revenues:						
Taxes:						
Property taxes				-	37,351	37,351
Other taxes				5,951	467	6,418
Interest				-	931	931
Miscellaneous				-	320	320
Total General Revenues				<u>5,951</u>	<u>39,069</u>	<u>45,020</u>
Change in Net Position				(600)	(27,768)	(28,368)
Net Position - Beginning				<u>87,057</u>	<u>89,057</u>	<u>176,114</u>
Net Position - Ending				<u>\$ 86,457</u>	<u>\$ 61,288</u>	<u>\$ 147,745</u>

FUND FINANCIAL STATEMENTS

**WASHINGTON COUNTY WATER DISTRICT
BALANCE SHEETS
GOVERNMENTAL FUND
June 30, 2021 and 2020**

	2021	2020
<u>ASSETS</u>		
Due from other fund	\$ 91,950	\$ 85,207
Total Assets	\$ 91,950	\$ 85,207
 <u>FUND BALANCES</u>		
Fund balances:		
Unreserved	\$ 85,207	\$ 85,807
Reserved	-	-
Net (deficit) income	6,743	(600)
Total Fund Balances	\$ 91,950	\$ 85,207

WASHINGTON COUNTY WATER DISTRICT
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
For the Years Ending
June 30, 2021 and 2020

	2021	2020
REVENUES		
Other taxes	\$ 6,858	\$ 5,951
Grant revenue	15,500	-
	22,358	5,951
EXPENDITURES		
General government	15,615	6,551
Capital outlay	-	-
	15,615	6,551
Change in Fund Balances Before Other Financing Sources (Uses)	6,743	(600)
Net Change in Fund Balance	6,743	(600)
Fund Balance - Beginning of Year	85,207	85,807
Fund Balance - End of Year	\$ 91,950	\$ 85,207

**WASHINGTON COUNTY WATER DISTRICT
RECONCILIATION OF STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND TO THE STATEMENTS OF ACTIVITIES
For the Years Ending
June 30, 2021 and 2020**

	2021	2020
Net Change in Fund Balance - Governmental Fund	\$ 6,742	\$ (600)
<p>The change in net assets for governmental activities in the statement of activities is different because:</p> <p>Governmental fund reports capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount that capital outlay exceeds depreciation expense in the current periods.</p>		
	-	-
Change in Net Position - Governmental Activities	\$ 6,742	\$ (600)

WASHINGTON COUNTY WATER DISTRICT
BALANCE SHEETS
WATER FUND
June 30, 2021 and 2020

	2021	2020
<u>ASSETS</u>		
Cash and cash equivalents	\$ 174,222	\$ 54,053
Accounts receivable, net allowance for doubtful accounts of \$1,420	19,432	16,328
Prepaid expenses	18,652	-
Capital assets	132,746	154,854
Total Assets	\$ 345,052	\$ 225,235
<u>LIABILITIES</u>		
Accounts payable	\$ 4,230	\$ 1,474
Accrued expenses	109,160	4,726
Due from other fund	91,950	85,207
Long-Term Liabilities:		
Due within one year	2,053	1,963
Due in more than one year	68,524	70,577
Total Liabilities	275,917	163,947
<u>NET POSITION</u>		
Invested in capital assets, net of related debt	132,746	154,854
Unrestricted net position	(63,611)	(93,566)
Total Net Position	\$ 69,135	\$ 61,288

WASHINGTON COUNTY WATER DISTRICT
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION
WATER FUND

For the Years Ending
June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
OPERATING REVENUES		
Charges for services	\$ 110,526	\$ 82,928
Total Operating Revenues	<u>110,526</u>	<u>82,928</u>
OPERATING EXPENSES		
Salary expense	68,795	70,172
Materials and supplies	3,571	3,858
Telephone and utilities	1,975	2,011
Repairs and maintenance	10,340	14,765
Purchase of service	22,727	26,162
Insurance	2,615	4,319
Depreciation expense	22,108	22,108
Other expenses	4,756	2,975
Total Operating Expenses	<u>136,887</u>	<u>146,370</u>
Operating Loss	<u>(26,361)</u>	<u>(63,442)</u>
NON-OPERATING REVENUES (EXPENSES)		
Property taxes	36,376	37,818
Interest income	1,130	931
Interest expense	(3,309)	(3,395)
Miscellaneous income (expense)	11	320
Total Non-Operating Revenue (Expense)	<u>34,208</u>	<u>35,674</u>
Change in Net Position	7,847	(27,768)
Total Net Position - Beginning	<u>61,288</u>	<u>89,056</u>
Total Net Position - Ending	<u>\$ 69,135</u>	<u>\$ 61,288</u>

WASHINGTON COUNTY WATER DISTRICT
STATEMENTS OF CASH FLOWS
WATER FUND
For the Years Ending
June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities		
Cash received from water sales and services	\$ 107,422	\$ 80,445
Cash paid to or on behalf of employees	35,639	(73,756)
Cash paid to vendors	(53,958)	(43,620)
	<hr/>	<hr/>
Net Cash Provided (Used) by Operating Activities	89,103	(36,931)
Cash Flows From Non-Capital Financing Activities		
Cash received from tax assessments	36,376	37,818
Cash received from miscellaneous income	11	320
Cash received (paid) for interest	(2,179)	(2,464)
	<hr/>	<hr/>
Net Cash Provided by Non-Capital Activities	34,208	35,674
Cash Flows from Capital and Related Financing Activities		
Principal Paid on Debt	(1,963)	(1,877)
	<hr/>	<hr/>
Net Cash Used for Capital and Related Financing Activities	(1,963)	(1,877)
	<hr/>	<hr/>
Decrease in Cash and Cash Equivalents	121,348	(3,134)
Cash and Cash Equivalents - Beginning	54,053	57,187
	<hr/>	<hr/>
Cash and Cash Equivalents - Ending	\$ 175,401	\$ 54,053
	<hr/> <hr/>	<hr/> <hr/>
Reconciliation of Operating Loss to Net Cash Used by Operating Activities		
Operating Loss	\$ (26,361)	\$ (63,442)
Adjustments to Reconcile Operating Income to Cash Provided by Operating Activities:		
Depreciation expense	22,108	22,108
Bad debt expense	1,178	-
Changes in Assets and Liabilities:		
Decrease (increase) in accounts receivable	(3,104)	(2,483)
Decrease (increase) in due to/from other fund	6,743	(600)
Decrease (increase) in prepaid expenses	(18,652)	10,396
Increase (decrease) in accounts payable	2,757	675
Decrease in accrued liabilities	104,434	(3,585)
	<hr/>	<hr/>
Net Cash Provided (Used) by Operating Activities	\$ 89,103	\$ (36,931)
	<hr/> <hr/>	<hr/> <hr/>

WASHINGTON COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Washington County Water District (District) was incorporated November 29, 1962, under the provision of the statutes of the State of California. This District operates under a Board of Directors and provides drinking water and fire protection services to the community of Washington in Nevada County.

B. Basis of Presentation

The District accounts for its financial transactions in accordance with the policies and procedures for California special districts. The accounting policies of the District conform to accounting principles generally accepted in the United States of America, and as prescribed by the Governmental Accounting Standards Board (GASB) and Audits of State and Local Governmental Units, issued by the American Institute of Certified Public Accountants.

C. Basis of Accounting and Measurement Focus

Government-wide Financial Statements: The government-wide financial statements include a statement of net position and a statement of activities. These statements present summaries of governmental and business-type activities for the District accompanied by a total column.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements by the provider have been met.

Fund Financial Statements: Government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period, which is usually 60 days. For this purpose, the District generally considers revenues to be available if they are collected within ninety days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred as under-accrual accounting.

WASHINGTON COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Funds: Separate financial statements are provided for governmental funds and proprietary funds. The District reports a governmental fund and a proprietary fund. The *General Fund* is the District’s fire protection fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The Water Fund is used to account for the operation and maintenance of the District’s water department.

D. Budgets

The District’s procedures for establishing an annual budget are that the Treasurer develop and present a budget to the Board of Directors for review and approval.

All budgets are adopted on a cash basis not consistent with generally accepted accounting principles (GAAP). Budgeting comparisons presented in this report are on the non-GAAP budgetary basis. However, for financial reporting purposes, revenues are recognized when measurable and available, and expenditures are recognized as incurred.

E. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., water piping and systems) are recorded at historical cost or estimated historical cost, if actual cost is not available. Contributed assets are recorded at estimated fair value on the date of contribution. The District historically has capitalized assets with a value of greater than \$500 and an estimated useful life in excess of two years. All land is recorded regardless of cost. Normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Depreciation is computed using the straight-line method over the estimated useful life of the assets as follows:

	<u>Years</u>
Buildings	30-50
Infrastructure and equipment	5-50
Vehicles	5-30
Furniture and fixtures	3-5

F. Cash and Cash Equivalents

The County sponsors an investment pool that is managed by the County Treasurer for the purpose of increasing interest earnings through investment activities. Cash and investments for most County activities are included in the investment pool. Interest earned on the investment pool is distributed to the participating funds monthly using a formula based on the average daily balance of each fund.

WASHINGTON COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

G. Use of Estimates

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

H. Accounts Receivable

Accounts receivable consists of amounts due from outside parties for service charges as well as reimbursements owed under grant agreements. Accounts receivable is presented net of an allowance for doubtful accounts that reflects management's best estimate of receivables that will become uncollectible. The estimate made is based on a variety of factors including the length of time receivables are past due, economic trends and conditions affecting the customer base, and historical write-off experience. Accounts that are deemed to be uncollectible are written off against the allowance for doubtful accounts.

I. Interfund Loans

Interfund loans are reported as either receivables or payables and are referred to as "due to/from other fund."

J. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities Statement of Net Position.

K. Property Taxes

Property tax receivables are recorded in the fiscal year for which the tax is levied. Revenue is recognized when measurable and available. The County levies bills and collects property taxes for the District. Property taxes paid to the District by the end of the year are recognized as revenue in that year.

WASHINGTON COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 2: CASH AND INVESTMENTS

Cash and investments as of June 30, 2021 and 2020, consist of the following:

	June 30, 2021		June 30, 2020	
	General Fund	Water Fund	General Fund	Water Fund
County cash	\$ -	\$ 173,833	\$ -	\$ 53,662
Petty cash	-	389	-	391
	\$ -	\$ 174,222	\$ -	\$ 54,053

Investment Policy: California statutes authorize districts to invest idle or surplus funds in a variety of credit instruments as provided for in the California Government Code, Section 53600, Chapter 4 – Financial Affairs. The District does not have an investment policy that addresses its interest rate risk, credit risk, and concentration of credit risk.

Investment in the County of Nevada’s Investment Pool: The District maintains its cash in Nevada County’s cash and investment pool which is managed by the Nevada County Treasurer. The District’s cash balances invested in the Nevada County Treasurer’s cash and investment pool are stated at amortized cost, which approximates fair value. Nevada County does not invest in any derivative financial products. The Nevada County Treasury Investment Oversight Committee (Committee) has oversight responsibility for Nevada County’s cash and investment pool. The Committee consists of ten members as designated by State law. The value of pool shares in Nevada County that may be withdrawn is determined on an amortized cost basis, which is different than the fair value of the District’s position in the pool. Investments held in the County’s investment pool are available on demand to the District and are stated at cost, which approximates fair value. This investment is not subject to categorization under GASB No. 3.

Interest Rate Risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As of June 30, 2021 and 2020, the weighted average maturity of the investments contained in the County’s investment pool was 5 years or less.

Credit Risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating issued by a nationally recognized statistical rating organization. The County’s investment pool does not have a rating provided by a nationally recognized statistical rating organization.

WASHINGTON COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 2: CASH AND INVESTMENTS - continued

Custodial Credit Risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the District’s investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. The District’s deposits were covered by FDIC insurance at June 30, 2021 and 2020.

NOTE 3: CAPITAL ASSETS

Capital asset activity for the years ended June 30, 2021 and June 30, 2020 were as follows:

	2021			Ending Balance
	Beginning Balance	Additions	Disposals	
Governmental Activities:				
Capital assets, not being depreciated				
Land	\$ 1,250	\$ -	\$ -	\$ 1,250
Total capital assets, not being depreciated	1,250	-	-	1,250
Capital assets, being depreciated				
Structures and improvements	80,420	-	-	80,420
Vehicles	20,100	-	-	20,100
Furniture and fixtures	-	-	-	-
Infrastructure and equipment	4,434	-	-	4,434
Total historical cost	104,954	-	-	104,954
Accumulated depreciation	(104,954)	-	-	(104,954)
Total capital assets, being depreciated	-	-	-	-
Governmental Activities Capital Assets	<u>\$ 1,250</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,250</u>

WASHINGTON COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 3: CAPITAL ASSETS – continued

	2021			Ending Balance
	Beginning Balance	Additions	Disposals	
Enterprise Activities:				
Capital assets, being depreciated				
Furniture and fixtures	\$ 1,105	\$ -	\$ -	\$ 1,105
Infrastructure and equipment	1,172,072	-	-	1,172,072
Total historical cost	1,173,177	-	-	1,173,177
Accumulated depreciation	(1,018,323)	(22,108)	-	(1,040,431)
Total capital assets, being depreciated	154,854	(22,108)	-	132,746
Enterprise Activities Capital Assets	<u>\$ 154,854</u>	<u>\$ (22,108)</u>	<u>\$ -</u>	<u>\$ 132,746</u>
	2020			Ending Balance
	Beginning Balance	Additions	Disposals	
Governmental Activities:				
Capital assets, not being depreciated				
Land	\$ 1,250	\$ -	\$ -	\$ 1,250
Total capital assets, not being depreciated	1,250	-	-	1,250
Capital assets, being depreciated				
Structures and improvements	80,420	-	-	80,420
Vehicles	20,100	-	-	20,100
Furniture and fixtures	-	-	-	-
Infrastructure and equipment	4,434	-	-	4,434
Total historical cost	104,954	-	-	104,954
Accumulated depreciation	(104,954)	-	-	(104,954)
Total capital assets, being depreciated, net	-	-	-	-
Governmental Activities Capital Assets	<u>\$ 1,250</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,250</u>
Enterprise Activities:				
Capital assets, being depreciated				
Structures and improvements	\$ -	\$ -	\$ -	\$ -
Vehicles	-	-	-	-
Furniture and fixtures	1,105	-	-	1,105
Infrastructure and equipment	1,172,072	-	-	1,172,072
Total historical cost	1,173,177	-	-	1,173,177
Accumulated depreciation	(996,215)	(22,108)	-	(1,018,323)
Total capital assets, being depreciated, net	176,962	(22,108)	-	154,854
Enterprise Activities Capital Assets	<u>\$ 176,962</u>	<u>\$ (22,108)</u>	<u>\$ -</u>	<u>\$ 154,854</u>

WASHINGTON COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 4: ACCRUED EXPENSES

Accrued expenses include advanced payments on customer accounts, deposits, and accrued salary expenses.

NOTE 5: LONG-TERM DEBT

USDA – As part of a loan and grant assistance from the USDA, the District received a loan of \$96,983 at 4.5% in June 2002. The loan requires annual payments of \$5,272 through June 2043.

The following is a summary of long-term debt balances for the district for the years ended June 30, 2021 and June 30, 2020:

Loan	Beginning Balance July 1, 2020	Principle Payments	Ending Balance June 30, 2021	Amount Due Within One Year
USDA	\$ 72,540	\$ 1,963	\$ 70,577	\$ 2,053

Loan	Beginning Balance July 1, 2019	Principle Payments	Ending Balance June 30, 2020	Amount Due Within One Year
USDA	\$ 74,417	\$ 1,877	\$ 72,540	\$ 1,963

The annual debt requirements are as follows:

2022	\$ 5,272
2023	5,272
2024	5,272
2025	5,272
2026	5,272
Thereafter	<u>89,624</u>
Total	115,984
Less interest	<u>(45,407)</u>
Principle	<u><u>\$ 70,577</u></u>

WASHINGTON COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 6: FUNDS NOT PROPERLY ACCOUNTED FOR

For approximately fourteen years prior to the fiscal year ended June 30, 2012, the Fire Department failed to properly account for funds raised through an annual fundraiser barbeque. The net funds not accounted cannot be reasonably estimated.

The District does not track governmental and proprietary cash balances separately and thus all cash is reflected in the proprietary fund.

NOTE 7: EXPENDITURES IN EXCESS OF APPROPRIATIONS

During the 2021 and 2020 fiscal years, the District had expenditures in excess of appropriations mostly due to professional services, utilities, and timing of insurance payments in 2021 and salaries and benefits, automobile expenses and supplies in 2020.

NOTE 8: COVID-19

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. In April 2020, the California governor issued a mandate stating water cannot be shut off for non-payment which has resulted in some outstanding account balances. As a result of this mandate, unpaid balances grew. In fiscal year end 2022, the District received a grant to pay off the unpaid balances.

NOTE 9: SUBSEQUENT EVENTS

As of July 21, 2023, the USDA loan was under default due to the failure to deliver audited financial statements within 180 days of the fiscal year ends.

In fiscal year end 2022 the District received a state grant to pay for overdue balances from customers resulting in the mandates during COVID-19 (see Note 8).

The District has reviewed events through July 21, 2023. No other matters have been noted that would materially affect the carrying balances of District assets and liabilities except as noted above.

REQUIRED SUPPLEMENTARY INFORMATION

**WASHINGTON COUNTY WATER DISTRICT
GENERAL AND WATER FUNDS
BUDGETARY COMPARISON SCHEDULE
June 30, 2021**

	Budget (Cash Basis)	Actual (Unaudited)	Variance with Final Budget Positive (Negative)
Revenues			
Water sales	\$ -	\$ 110,526	\$ 110,526
Property taxes	32,972	36,376	3,404
Other taxes	6,193	6,858	665
Interest income	-	1,130	1,130
Grant revenue	-	15,500	15,500
Miscellaneous revenue	-	11	11
Total Revenues	39,165	170,401	131,236
Expenditures			
Salaries and benefits	72,209	69,593	2,616
Depreciation	-	22,108	(22,108)
Automobile expense	2,460	4,081	(1,621)
Computer and internet expenses	3,926	4,865	(939)
Insurance	9,386	4,376	5,010
Interest expense	5,272	3,309	1,963
Professional services	10,031	13,876	(3,845)
Maintenance and repair	14,029	15,085	(1,056)
Permits and licenses	1,774	3,416	(1,642)
Supplies	1,687	2,834	(1,147)
Postage and delivery	495	825	(330)
Training	-	975	(975)
Utilities	3,835	5,485	(1,650)
Miscellaneous	3,065	4,983	(1,918)
Total Expenditures	128,169	155,811	(27,642)
Net changes in fund balances	\$ (89,004)	\$ 14,590	\$ 103,594

**WASHINGTON COUNTY WATER DISTRICT
GENERAL AND WATER FUNDS
BUDGETARY COMPARISON SCHEDULE
June 30, 2020**

	Budget (Cash Basis)	Actual (Unaudited)	Variance with Final Budget Positive (Negative)
Revenues			
Water sales	\$ 110,000	\$ 82,928	\$ (27,072)
Property taxes	27,237	37,352	10,115
Other taxes	6,936	6,418	(518)
Interest income	900	931	31
Miscellaneous revenue	-	320	320
Total Revenues	145,073	127,949	(17,124)
Expenditures			
Salaries and benefits	66,959	71,176	(4,217)
Depreciation	-	22,108	(22,108)
Automobile expense	500	2,536	(2,036)
Computer and internet expenses	2,130	3,362	(1,232)
Insurance	4,550	7,228	(2,678)
Interest expense	5,272	3,395	1,877
Professional services	19,760	19,516	244
Maintenance and repair	20,250	15,024	5,226
Permits and licenses	3,200	3,184	16
Supplies	600	699	(99)
Postage and delivery	800	774	26
Training	400	500	(100)
Utilities	5,100	3,839	1,261
Miscellaneous	600	2,975	(2,375)
Total Expenditures	130,121	156,316	(26,195)
Net changes in fund balances	\$ 14,952	\$ (28,367)	\$ (43,319)