

SONOMA MOUNTAIN COUNTY WATER DISTRICT
FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

SONOMA MOUNTAIN COUNTY WATER DISTRICT
FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

TABLE OF CONTENTS

Independent Auditor's Report	3
Financial Statements	
Statement of Net Position	5
Statement of Activities And Changes in Net Position	6
Statement of Cash Flows	7
Notes to the Financial Statements	8

MICHAEL A. CELENTANO
Certified Public Accountant
7518 Wight Way
Kelseyville CA 95451
707-367-9729 maccpa@pacific.net

Board of Directors
Sonoma Mountain County Water District
Santa Rosa, CA 95404

Independent Auditor's Report

Opinions

I have audited the accompanying financial statements of the business-type activities Sonoma Mountain County Water District as of and for the years ended June 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Sonoma Mountain County Water District 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 business-type activities of Sonoma Mountain County Water District as of June 30, 2024 and 2023, and the respective changes in financial position and cash flows thereof for the year 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 Sonoma Mountain County 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 Sonoma Mountain County 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 Sonoma Mountain County 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 Sonoma Mountain County 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 we identified during the audit.

Required Supplementary Information

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



Michael A Celentano
Certified Public Accountant

November 6, 2024

SONOMA MOUNTAIN COUNTY WATER DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2024 AND 2023

<u>ASSETS</u>	<u>2024</u>	<u>2023</u>
<u>Current Assets</u>		
Cash in bank - Note 2	\$ 21,940	\$ 24,525
Investments - Note 2	155,065	134,791
Accounts receivable - Water sales	16,508	12,648
Accrued interest	1,750	1,058
Prepaid insurance	842	797
Deposits	<u>200</u>	<u>200</u>
Total Current Assets	196,305	174,019
<u>Capital Assets - Note 3</u>	<u>201,020</u>	<u>201,182</u>
Total Assets	<u>\$ 397,325</u>	<u>\$ 375,201</u>
<u>LIABILITIES</u>		
<u>Current Liabilities</u>		
Accounts and payroll taxes payable	<u>\$ 2,197</u>	<u>\$ 2,179</u>
Total Current Liabilities	<u>2,197</u>	<u>2,179</u>
Total Liabilities	<u>\$ 2,197</u>	<u>\$ 2,179</u>
<u>Net Position</u>		
Investment in capital assets	\$ 201,020	\$ 201,182
Unrestricted designated for capital asset replacement	155,065	134,791
Unrestricted undesignated	<u>39,043</u>	<u>37,049</u>
Total Net Position	<u>\$ 395,128</u>	<u>\$ 373,022</u>

SONOMA MOUNTAIN COUNTY WATER DISTRICT
STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
<u>Operating Revenues</u>		
Charges for services	\$ 70,328	\$ 86,907
Total Operating Revenue	70,328	86,907
<u>Operating Expenses</u>		
Personnel and related benefits	26,143	26,030
Insurance	4,437	4,086
Supplies	2,333	3,328
Repairs and maintenance	11,186	2,394
Utilities	5,667	4,346
Professional fees	-	4,000
Testing	1,005	5,070
Office expense	745	525
Postage	271	243
Telephone	926	893
Dues and subscriptions	2,578	2,653
Other operating expense	240	264
Depreciation	<u>7,862</u>	<u>7,573</u>
Total Operating Expenses	<u>63,393</u>	<u>61,405</u>
Operating Income (Loss)	6,935	25,502
<u>Non-Operating Revenues (Expenses)</u>		
Interest income bank	5,970	2,647
Property taxes	<u>9,201</u>	<u>8,757</u>
Total Non-Operating Revenues (Expenses)	<u>15,171</u>	<u>11,404</u>
Net Income (Loss)	22,106	36,906
<u>Net Assets, Beginning of Year</u>	<u>373,022</u>	<u>336,116</u>
<u>Net Assets, Ending of Year</u>	<u>\$ 395,128</u>	<u>\$ 373,022</u>

SONOMA MOUNTAIN COUNTY WATER DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
<u>Cash Flows From Operating Activities</u>		
Cash received from customers	\$ 66,468	\$ 90,154
Payments to suppliers for goods and services	(29,433)	(27,834)
Payments to employees and related items	<u>(26,125)</u>	<u>(26,358)</u>
Net Cash Provided by Operating Activities	10,910	35,962
<u>Cash Flows From Capital and Related Financing Activities</u>		
Property taxes	<u>9,201</u>	<u>8,757</u>
Net Cash Flows Provided by Capital and Related Financing Activities	9,201	8,757
<u>Cash Flows From Capital and Related Financing Activities</u>		
Purchase of capital assets	<u>(7,700)</u>	-
Net Cash Flows Used by Capital and Related Financing Activities	(7,700)	-
<u>Cash Flows From Investing Activities</u>		
Interest	<u>5,278</u>	<u>1,632</u>
Net Cash Flows Provided by Investing Activities	<u>5,278</u>	<u>1,632</u>
Net Change in Cash and Cash Equivalents	17,689	46,351
<u>Cash and Cash Equivalents, Beginning of Year</u>	<u>159,316</u>	<u>112,965</u>
<u>Cash and Cash Equivalents, Ending of Year</u>	<u>\$ 177,005</u>	<u>\$ 159,316</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash (Used) by Operating Activities</u>		
Operating income (loss)	\$ 6,935	\$ 25,502
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation	7,862	7,573
(Increase) decrease in current assets:		
Accounts receivable	(3,860)	3,247
Prepaid insurance	(45)	(32)
Deposits	-	-
Increase (decrease) in current liabilities		
Accounts payable	<u>18</u>	<u>(328)</u>
Net Cash Provided by Operating Activities	<u>\$ 10,910</u>	<u>\$ 35,962</u>

SONOMA MOUNTAIN COUNTY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

The District was formed in 1963 and was incorporated March 13, 1964. It is a public agency formed under the provisions of the Water Code for the State of California. The District operates under a board of directors' form of government elected by the District.

The District provides water sales and distribution to residents within the district boundaries. The District's financial statements include the accounts of all District operations.

Accounting Policies

The District's accounting and reporting policies conform to the generally accepted accounting principles accepted in the United States of America (GAAP) as applicable to proprietary funds of government agencies.

The following is a summary of the more significant policies:

Basis of Presentation

The statement of Net Position and Statement of Activities display information about the reporting District as a whole.

The District is comprised of only one fund, the Enterprise Fund. Enterprise funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flows. All assets and liabilities are included on the Statement of Net Position.

Basis of Accounting

The District Statement of Net Position and Statement of Activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset is used. Revenues, expenses, gains, losses, assets and liabilities resulting from an exchange are recognized when the exchange takes place.

When an expense is incurred for the purpose for which both restricted and unrestricted net position are available, the District's policy is to apply restricted net position first.

Budget

The annual budget is prepared in accordance with the basis of accounting utilized by the District. The budget is amended from time-to-time as the need arises and is approved by the Board of Directors. The budget is not legally required and therefore budget to actual information has not been presented.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the District considers both operating and restricted cash balances purchased with maturities of less than ninety days to be cash and cash equivalents.

In accordance with the Governmental Accounting Standards Board (GASB) Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, investments are stated at fair value, based on quoted market values.

Deposits and Investments

It is the District's policy for deposits and investments to either be insured by the FDIC or collateralized. The District's deposits and investments are categorized to give an indication of the level of risk assumed by the District as of June 30, 2024 and 2023. The categories are described as follows:

- Category 1 Insured, registered or collateralized, with securities held by the entity or its agent in the entity's name.
- Category 2 Uninsured and unregistered or collateralized, with securities held by the counter party's trust department or agent in the entity's name.
- Category 3 Uninsured and unregistered, or uncollateralized, with securities held by the counter party, or its trust department or agent but not held in the entity's name.

Deposits and investments as of June 30, 2024 and 2023 consisted of Category 1 type only.

Receivables

Bad debts associated with accounts receivable for services are provided for by use of the allowance method. Other receivables, if any, are shown at the anticipated recoverable amount, unless otherwise noted.

Property Taxes

Property taxes received by Sonoma Mountain County Water District consist of general taxes. General property taxes represent the portion of Ad Valorem taxes received by Sonoma Mountain County Water District as determined by their tax allocation factor. This tax revenue is available for general District use.

Investment Policy

It is the policy of the District to invest funds in a manner that will provide the highest return with maximum security while still meeting the daily cash flow demands of the District. All investments must conform to the requirements of California Government Code Sections 5921 and 53601. All investments are in the form of Inactive Public Deposits or Certificates of Deposit and the balances indicated on the balance sheet as investments, restricted and unrestricted, approximate market value.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Risk Management

The District is exposed to various risks of loss related to torts, theft to, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The District carries insurance for all risks. Settled claims resulting from these risks have not exceeded insurance coverage in the past three years.

Capital Assets

Capital assets are recorded at cost or estimated cost if actual cost is not available. Donated assets are valued at their fair market value on the date donated.

Depreciation of capital assets is recorded as an expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the estimated useful lives using the straight-line method of accounting. The range of useful lives is 5 to 50 years.

Proprietary Fund Financial Statements

The District has a sole fund which is considered a proprietary fund.

Proprietary Fund Financial Statements include a Statement of Net Position, a Statement of Activities and Changes in Net Position, and a Statement of Cash Flows for each proprietary fund.

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or non-current) are included on the Statement of Net Position. The Statement of Activities and Changes in Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. In these funds, receivables have been recorded as revenue and

provisions have been made for uncollectible amounts.

Operating revenues in the proprietary fund are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

Net Position

Net Position are classified into two components: 1) net amount invested in capital assets and 2) unrestricted. These classifications are defined as follows:

Net invested in capital assets— This component of net position consists of capital assets, net of accumulated depreciation and reduced by outstanding debt related to financing the acquisition of capital assets.

Unrestricted net position – This component of net position consists of net position that does not meet the definitions of "restricted" of which the District does not have or "invested in capital assets. The District has designated a portion of its unrestricted net position for capital asset replacement.

Note 2 - Cash and Investments

As of June 30, 2024 and 2023 cash and investments consisted as follows:

	<u>2024</u>	<u>2023</u>
Cash		
General operations	\$ 21,940	\$ 24,525
Investments		
LAIF	<u>155,065</u>	<u>134,791</u>
Total Cash	<u>\$177,005</u>	<u>\$159,316</u>

All above deposits are either insured or collateralized and are considered for purposes of the Statement of Cash Flows as cash and cash equivalents. The deposits approximate fair market value.

State law requires uninsured deposits of public agencies to be secured by certain state approved investment securities. The District's deposits are secured as part of an undivided collateral pool covering all public deposits with the financial institution. The market value of the pool must be equal to at least 110% of the total public deposits held by the financial institutions.

Surplus funds are invested by the District in a pooled money investment account held with the State of California in the Local Agency Investment Fund (LAIF). The funds held at LAIF are invested in accordance with Government Code Section 16430 and 16480. The LAIF account is internally allocated between restricted funds and funds reserved by the District for special purposes and general operations.

Note 3 - Capital assets

Items included in the equipment account are almost solely related to the treatment facilities in the form of pumps, motors, regulators, filters, etc., which are anticipated to wear out much sooner than the facilities themselves. The Other Property account consists of assets not as directly related to the treatment facilities and equipment and may have been acquired after construction such as: fencing, drainage and berm road work, access road paving, etc.

The following is a summary of the changes in capital assets for the fiscal year :

	<u>Balance</u> <u>7/1/23</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/24</u>
Well and well sites	\$ 128,200	\$ 7,700	\$ 0	\$ 135,900
Distribution systems	221,855			221,855
Construction in progress	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total cost	350,055	7,700	0	357,755
Less accumulated depreciation	<u>(148,873)</u>	<u>(7,862)</u>	<u>0</u>	<u>(156,735)</u>
Net Book Value	\$ 201,182	<u>\$ (162)</u>	\$ 0	\$ 201,020
	<u>Balance</u> <u>7/1/22</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/23</u>
Well and well sites	\$ 128,200	\$ 0	\$ 0	\$ 128,200
Distribution systems	221,855			221,855
Construction in progress	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total cost	350,055	0	0	350,055
Less accumulated depreciation	<u>(141,300)</u>	<u>(7,573)</u>	<u>0</u>	<u>(148,873)</u>
Net Book Value	\$ 208,755	<u>\$(7,573)</u>	\$ 0	\$ 201,182

Depreciation expense of \$7,862 and \$7,573 were recorded as operating expense for the years ended June 30, 2024 and 2023, respectively.

Note 4 - Subsequent Events

Subsequent events are those events or transactions that occur subsequent to the effective date of the financial statements, but prior to the issuance of the final reports, which may have a material effect on the financial statement or disclosures therein. There are no subsequent events that have occurred through November 6, 2024 that meet the above definition.

Note 5 - Joint Powers Agreement

The District participates in a joint venture under joint powers (JPA) with the Association of California Water Agencies (ACWA) for insurance purposes. The ACWA is a joint powers agency formed pursuant to Section 6500 et. Seq., California Government Code, is comprised of California special districts, and agencies including such districts. The relationship between the District and JPA is such that the JPA is not a component unit of the District for financial reporting purposes. The ACWA's purpose is to jointly fund and develop programs to provide stable, efficient and long term risk financing for special districts. These programs are provided through collective self-insurance; the purchase of insurance coverage's; or a combination thereof.