

**MENDOCINO COUNTY RUSSIAN RIVER FLOOD CONTROL &
WATER CONSERVATION IMPROVEMENT DISTRICT**

FINANCIAL STATEMENTS

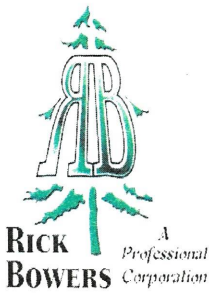
Year Ended June 30, 2020

**MENDOCINO COUNTY RUSSIAN RIVER FLOOD CONTROL &
WATER CONSERVATION IMPROVEMENT DISTRICT**

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RICK BOWERS, CPA, PFS, CMA
A Professional Corporation
807 S. Dora Street
Ukiah, CA 95482

office (707) 468-9210
fax (707) 463-6633
email rbcpacorp@yahoo.com

Certified Public Accountant
Personal Financial Specialist
Certified Management Accountant

Independent Auditor's Report

Board of Trustees
Mendocino County Russian River Flood Control &
Water Conservation Improvement District
Ukiah, CA

Report on the Financial Statements

I have audited the accompanying financial statements of the Mendocino County Russian River Flood Control & Water Conservation Improvement District (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 District'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 District'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 opinion.

Basis for Qualified Opinion

I was unable to verify the pension activity under GASB 68 for *Deferred Outflow of Resources, Net Pension Liability, and Deferred Inflow of Resources*, and was unable to determine those balances through the use of alternate procedures.

Opinion

In my opinion, except for the effects of such adjustment, if any, as might have been determined to be necessary had I been able to test the balances of the above accounts, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District as of June 30, 2020, and the 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.

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a required part of the basic financial statements, is supplementary information required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. My opinion on the basic financial statements is not affected by this missing information.



Rick Bowers, CPA
Ukiah, California
September 8, 2021

**MENDOCINO COUNTY RUSSIAN RIVER FLOOD CONTROL &
WATER CONSERVATION IMPROVEMENT DISTRICT**
STATEMENT OF NET POSITION
June 30, 2020

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 1,006,772
Accounts Receivable	19,570
Taxes Receivable	<u>3,984</u>

Total Current Assets 1,030,326

Capital Assets

Equipment and Vehicles	130,936
Accumulated Depreciation	<u>(40,125)</u>

Total Net Capital Assets 90,811

Total Assets 1,121,137

DEFERRED OUTFLOW OF RESOURCES

GASB 68 Pension Related 64,366

LIABILITIES

Current Liabilities

Accounts Payable	10,263
Accrued Payroll Benefits	<u>1,200</u>

Total Current Liabilities 11,463

Long-Term Liabilities

Net Pension Liability 36,024

Total Liabilities 47,487

DEFERRED INFLOWS OF RESOURCES

GASB 68 Pension Related 0

NET POSITION

Net Investment in Capital Assets	90,811
Unrestricted	<u>1,047,205</u>

Total Net Position \$ 1,138,016

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

**MENDOCINO COUNTY RUSSIAN RIVER FLOOD CONTROL &
WATER CONSERVATION IMPROVEMENT DISTRICT**
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION
For The Year Ended June 30, 2020

Operating Revenues	
Water Sales	<u>\$ 341,434</u>
Operating Expenses	
Payroll and Benefits	128,765
Audit Fees	4,000
Conservation Program	2,373
Consultant and Management Fees	20,440
Flow Model RR Watershed	8,000
Insurance	4,586
Insurance - Workmens Comp	3,944
LAFCO Fees	1,124
Legal Fees	12,570
Meeting Stipends	4,275
Memberships and Dues	9,044
Meters Expense	17,821
Office and Miscellaneous	5,468
Pension Expenses	17,536
Rent	6,240
State Water Resource Fees	12,527
Telephone and Cellular	3,729
Training	2,715
Travel and Mileage	1,274
Utilities	1,040
Vehicle Expense	1,891
Depreciation	<u>15,583</u>
Total Operating Expenses	<u>284,945</u>
Operating Income (Loss)	<u>56,489</u>
Non-Operating Revenues (Expenses)	
Shared USGS Costs Reimburse	19,570
Property Taxes	54,085
Investment Income	11,259
Water Application Fees	1,200
Grant - UV Trail Group	(1,500)
USGS JFA Payments	(19,300)
IWPC JPA Payments	<u>(25,000)</u>
Total Non-Operating Revenues (Expenses)	<u>40,314</u>
Change in Net Position	96,803
Net Position - Beginning of Year	<u>1,041,213</u>
Net Position - End of Year	<u><u>\$ 1,138,016</u></u>

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

**MENDOCINO COUNTY RUSSIAN RIVER FLOOD CONTROL &
WATER CONSERVATION IMPROVEMENT DISTRICT**
STATEMENT OF CASH FLOWS
For The Year Ended June 30, 2020

Cash Flows from Operating Activities	
Cash Received from Customers	\$ 368,429
Payments to Suppliers	(127,167)
Payments for Employees, Benefits and Taxes	<u>(130,597)</u>
Net Cash Provided by Operating Activities	<u>110,665</u>
Cash Flows from Non Capital Financing Activities	
Shared Costs Reimburse	19,570
Property Taxes	54,069
Net Other Expenses	(300)
JFA and JPA Payments	<u>(44,300)</u>
Net Cash Provided by Capital and Related Financing Activities	<u>29,039</u>
Cash Flows from Investing Activities	
Investment Income	<u>11,259</u>
Net Increase in Cash and Cash Equivalents	150,963
Cash and Cash Equivalents - Beginning of Year	<u>855,809</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 1,006,772</u></u>
Components of Cash and Cash Equivalents	
Cash in Checking and Savings	\$ 521,167
Cash in LAIF - Committed	<u>485,605</u>
Total Cash and Cash Equivalents	<u><u>\$ 1,006,772</u></u>
Reconciliation of Change in Net Position to Net Cash Provided by Operating Activities	
Operating Income (Loss)	\$ 56,489
Depreciation	15,583
Net Changes in Assets and Liabilities:	
Accounts Receivable	26,995
Prepaid Expenses	7,068
Accounts Payable	6,362
Accrued Payroll Benefits	<u>(1,832)</u>
Net Cash Provided by Operating Activities	<u><u>\$ 110,665</u></u>

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

**MENDOCINO COUNTY RUSSIAN RIVER FLOOD CONTROL &
WATER CONSERVATION IMPROVEMENT DISTRICT**

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

On January 30, 1956 in their resolution No. 1983, the board of supervisors of Mendocino County declaring the results of a special election upon the proposition of a formation of an Improvement District within the Mendocino County Flood Control and Water Conservation District, to be known as the “Mendocino County Russian River Flood Control and Water Conservation Improvement District” (the District), and the incurring of the bonded indebtedness in the principal amount of \$650,000 and for the election of the first trustees of said District, and declaring and ordering the formation of said District. It is governed by a Statutory Authority G.L. 1949 Chapter 995.

The District was established by the County of Mendocino via a statutory formation process set forth by Act 4830. Proceeds of the 1957 bond issue in the amount of \$650,000 were used to help finance the construction of Coyote Dam. In exchange for the fund proceeds, the District received rights to a portion of the water storage capacity held in Coyote Dam.

The District’s mission is to proactively manage the water resources of the upper Russian River for the benefit of the people and environment of Mendocino County.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Reporting Entity

Criteria used in determining the scope of the reporting entity includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. The reporting entity consists of the District as the primary, and sole, reporting entity.

b. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements of the District are prepared in conformity with accounting principles generally accepted in the United States of America, as defined by the Government Accounting Standards Board (GASB), the independent and ultimate authoritative accounting and financial reporting standard-setting body for state and local governments. The District’s reporting entity applies all relevant GASB pronouncements. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

The District is accounted for as an enterprise fund (proprietary fund type). A fund is an accounting entity with a self-balancing set of accounts established to record the financial position and results of operations of a specific governmental activity.

**MENDOCINO COUNTY RUSSIAN RIVER FLOOD CONTROL &
WATER CONSERVATION IMPROVEMENT DISTRICT**

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The activities of enterprise funds closely resemble those of ongoing businesses in which the purpose is to conserve and add to basic resources while meeting operating expenses from current revenues. Enterprise funds account for operations that provide services on a continuous basis and are substantially financed by revenues derived from user charges.

The District distinguishes operating revenues and expenses from non-operating items. Operating revenues include revenues derived from services for usage and availability of water, and related activities. Operating expenses include all expenses applicable to the furnishing of these activities. Non-operating revenues and expenses include revenues and expenses not associated with the District's normal business of providing water services.

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.

c. Budgetary Accounting

An annual budget is adopted by the Board of Directors each fiscal year. The budget may be revised during the year to reflect unanticipated revenues or expenses. The budget is used for operating management and internal accounting control purposes, and is prepared on the modified cash basis of accounting.

d. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits and with the California Local Agency Investment Fund (LAIF). State statutes authorize the District to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, and repurchase agreements.

The District's deposits and investments are categorized to give an indication of the level of risk assumed by the District. All the District's deposits and investments are Category 1, *Insured, registered or collateralized, with securities held by the entity or its agent in the entity's name.*

To maximize investment opportunities, the District participates in a pooling of cash and investment income with other local agencies (LAIF). Each fund may liquidate its equity in the pool on demand. Investments are recorded at fair value, except for investments with maturities of one year or less from date of purchase, which are stated at amortized cost. Fair value is based on quoted market prices.

**MENDOCINO COUNTY RUSSIAN RIVER FLOOD CONTROL &
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NOTES TO FINANCIAL STATEMENTS

June 30, 2020

e. Accounts Receivable

Accounts receivable represent amounts due for water services. All amounts are considered to be collectible, and no allowance for doubtful accounts has been recorded. If accounts receivable do result in losses they are recognized when the amounts become determinable.

f. Capital Assets

Capital assets are recorded at cost. Major improvements and additions are charged to the related capital asset accounts. Improvements and additions which do not significantly improve or extend the life of the asset are charged against earnings in the period incurred. Donated capital assets are recorded at their estimated fair market value on the date received.

g. Depreciation

Depreciation is charged to expense for all capital assets; except land, right of ways, and any projects in progress. Projects in progress are considered depreciable upon completion of the related project.

Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets. The estimated useful lives are as follows:

Equipment and Vehicles	5 - 10 years
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h. Net Position

Net position represents the difference between assets and liabilities. The District's net position is classified as follows:

Net Investment in Capital Assets – This represents the District's total investment in capital assets, net of outstanding debt obligations related to those capital assets.

Restricted Net Position – Restricted net position represents resources which are legally or contractually obligated to be spent in accordance with restrictions imposed by external third parties. There are no restricted net assets at June 30, 2020.

Unrestricted Net Position – Unrestricted net position represents resources available for transactions relating to the general operations of the District, and may be used at the discretion of the governing board to meet current expenses for any purpose.

**MENDOCINO COUNTY RUSSIAN RIVER FLOOD CONTROL &
WATER CONSERVATION IMPROVEMENT DISTRICT**

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

i. Property Tax Revenue

Property taxes received by the District consist of general taxes. General property taxes represent the portion of ad valorem taxes received as determined by their allocation factor. The tax revenue is available for general district use.

The County of Mendocino collects the taxes and distributes them to taxing jurisdictions on the basis of assessed valuations subject to adjustments for voter-approved debt. Property taxes are levied March 1, are due November 1 and March 1, and become delinquent on December 10 and April 10.

The District receives taxes pursuant to an arrangement with the County known as the “Teeter Plan”, whereby the County assumes responsibility for the collection of delinquent taxes and pays the full allocation to the District. The District recognizes property tax revenues to the extent of each year’s tax allocation received or to be received within 60 days after the end of the fiscal year.

j. Measurement Uncertainty

The preparation of 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.

k. Subsequent Events

Management has evaluated subsequent events through September 8, 2021, which is the date the financial statements were available to be issued. **COVID-19:** In March 2020, the World Health Organization declared the outbreak of the novel coronavirus, COVID-19, a pandemic. The District does not anticipate a material affect on the financial statements from the restrictions imposed by the pandemic. No additional subsequent events have occurred since June 30, 2020 that would require recognition or disclosure in the financial statements.

NOTE 2. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following at June 30, 2020:

Cash in Savings and Checking	\$ 521,167
Cash in LAIF	<u>485,605</u>
Total	<u>\$ 1,006,772</u>

**MENDOCINO COUNTY RUSSIAN RIVER FLOOD CONTROL &
WATER CONSERVATION IMPROVEMENT DISTRICT**

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

District deposits are fully insured or collateralized with securities held by the District or its agent in the District's name. The *California Government Code* requires California banks and savings and loan associations to secure local agency deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 110% of a local agency's deposits.

NOTE 3. CAPITAL ASSETS

Following is a summary of changes to capital assets for the fiscal year ended June 30, 2020:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Equipment and Vehicles	\$ 130,936	\$ -	\$ -	\$ 130,936
Less: Accumulated Depreciation	<u>24,542</u>	<u>15,583</u>	<u> </u>	<u>40,125</u>
Total Net Capital Assets	<u>\$ 106,394</u>			<u>\$ 90,811</u>

NOTE 4. SHARED USGS COSTS

The District contracts with the United States Geological Survey (USGS) towards costs to maintain measuring devices (gages) along the Russian River. The District also acts as a pass through for the North Gualala Water Company to contract USGS for a gage in their service area. These costs are fully reimbursed.

NOTE 5. JPA AND JFA AGREEMENTS

The Inland Water & Power Commission (IWPC) was formed as a Joint Powers Authority (JPA) to educate and advocate for the water resources in our region. The JPA is not a component unit of the District. \$25,000 was paid to the IWPC during the fiscal year for the Potter Valley Project relicensing planning agreement feasibility study, and other ongoing expenses for legal counsel and consultants. The District is expensing these costs as they are incurred.

The District has a Joint Funding Agreement (JFA) with the United States Department of the Interior - Geological Survey (USGS), for cooperative water resources investigations in Mendocino County. The JFA is dated 11/01/2019 and was accepted by the District on 08/05/2019. Total JFA costs for the fiscal year were \$19,300 under this agreement.

**MENDOCINO COUNTY RUSSIAN RIVER FLOOD CONTROL &
WATER CONSERVATION IMPROVEMENT DISTRICT**

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 6. RETIREMENT PLAN

Plan Description - The District's defined benefit pension plan, California Public Employees' Retirement System (the "Plan"), provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Plan, part of the Public Agency portion of the California Public Employees' Retirement System (CalPERS), is an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating member agencies within the State of California.

A menu of benefits provisions, as well as other requirements, are established by state statutes within the Public Employees' Retirement Law. The District selects optional benefit provisions from the benefit menu by contract with CalPERS, and adopts those benefits through local ordinance. Copies of the CalPERS' annual financial report may be obtained by contacting the CalPERS Fiscal Services Division.

Permanent employees of the District are members of the Public Employees' Retirement System (PERS), which is a defined benefit contributory retirement plan. The retirement contributions made by the District and its employees are actuarially determined. Contributions plus earnings of the Retirement System will provide the necessary funds to pay retirement costs when accrued.

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions or deductions from the fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. Benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

The District's share of retirement contributions is included in the cost of administration. For further information, please refer to the annual single audit of the State of California.

Funding Policy – The District is required to contribute at an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The minimum contribution rate is approved by the CalPERS Board, and then forwarded to the State Legislature who is ultimately responsible for the established rate. The required employer contributions are determined by CalPERS using a method that presents service (normal) cost and other basic expenses (for example, the cost of administering the pension plan), as well as amounts recognized each year for deferred inflows of resources (which reduce the pension expense) and deferred outflows of resources (which increase the pension expense). Actuarial Methods and Assumptions are available from CalPERS.

**MENDOCINO COUNTY RUSSIAN RIVER FLOOD CONTROL &
WATER CONSERVATION IMPROVEMENT DISTRICT**

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

The total minimum required employer contribution is the sum of the Plan's Employer Normal Rate plus the Employer Unfunded Accrued Liability Contribution Amount. The Employer's Normal Cost Rate for 2019/20 was about 9.0%, and the active employee contribution rate was 7% of annual pay.

Benefits Provided – The Plan provides for retirement, disability, and death benefits. Annual cost of living (COL) adjustments to retirement allowances are provided. Retirement benefits are based on age, length of service, date of membership and final average salary.

The Plan's provisions and benefits in effect at June 30, 2020 are summarized as follows:

Benefit Formula	2.0% @ 55
Social Security Coverage	No
Full / Modified	Full
Employee Contribution Rate	7%
Final Avg Comp Period	Three Years
Sick Leave Credit	Yes
Non-Industrial Disability	Standard
Industrial Disability	No
Pre-Retirement Death Benefits	
Optional Settlement 2W	Yes
1959 Survivor Benefit Level	Level 4
Post-Retirement Death Benefits	
Lump Sum	\$500
Survivor Allowance	No
COLA	2%

Annual Pension Cost – CalPERS performs annual actuarial valuations that establish contribution rates for fiscal periods from July 1 to June 30. Total pension costs for the year ended June 30, 2020 were \$17,536.

NOTE 7. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; damage to, and theft or destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District believes any risk of litigation or claims is adequately covered by insurance.