

**FORESTVILLE WATER DISTRICT
AND
SEWER SERVICE ZONE**

Independent Auditor's Report
and
Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

FORESTVILLE WATER DISTRICT AND SEWER SERVICE ZONE

June 30, 2021

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Blomberg & Griffin Accountancy Corporation
Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Forestville Water District and Sewer Service Zone
Forestville, California

Report on the Financial Statements

We have audited the accompanying financial statements of Forestville Water District and Sewer Service Zone 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 and the State Controller's *Minimum Audit Requirements for California Special Districts*. 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.

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 Forestville Water District and Sewer Service Zone, as of June 30, 2021 and 2020 and the respective changes in financial position, and, where applicable, cash flows thereof 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 management's discussion and analysis (pages 3-6) and schedule of CalPERS (omitted) 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The accompanying information, listed as supplementary information in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements of the District.

Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion on it or provide any assurance on it.

Blomberg & Griffin A.C.

Blomberg & Griffin A.C.

Stockton, CA

November 17, 2021

FORESTVILLE WATER DISTRICT AND SEWER SERVICE ZONE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2021

This section of the Forestville Water District and Sewer Service Zone annual financial report presents an analysis of the District's financial performance during the fiscal year ended June 30, 2021. This information is presented in conjunction with the audited basic financial statements, which follow this section.

FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2020-21

- The District's net position increased by \$492,724 or 8.34% from \$5,910,413 to \$6,403,137.
- Operating Revenues increased by \$163,593 or 7.54% from \$2,168,922 to \$2,332,515.
- Operating expenses decreased by \$74,052 or 3.68% from \$2,010,843 to \$1,936,791.
- District is currently receiving property tax revenues of \$178,608 an increase of \$8,142 over the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of the following three parts: Management's Discussion and Analysis, Basic Financial Statements and Other Required Supplementary Information. The Financial Statements include notes which explain in detail some of the information included in the basic financial statements.

REQUIRED FINANCIAL STATEMENTS

The Financial Statements of the District report information utilizing the full accrual basis of accounting. The Financial Statements conform to accounting principles which are generally accepted in the United States of America. The Statements of Net Position include information on the District's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to District creditors (liabilities). The Statements of Revenues, Expenses and Changes in Net Position identify the District's revenues and expenses for the fiscal year ended June 30, 2021. This statement provides information on the District's operations over the past year and can be used to determine whether the District has recovered all of its actual and projected costs through user fees and other charges. The third financial statement is the Statements of Cash Flows. This statement provides information on the District's cash receipts, cash payments and changes in cash resulting from operations, investments and financing activities. From the Statements of Cash Flows, the reader can obtain information on the source and use of cash and the change in the cash and cash equivalents.

FORESTVILLE WATER DISTRICT AND SEWER SERVICE ZONE
MANAGEMENT'S DISCUSSION AND ANALYSIS
 June 30, 2021

FINANCIAL ANALYSIS OF THE DISTRICT

The Statements of Net Position and the Statements of Revenues, Expenses and Changes in Net Position provide an indication of the District's financial condition and also indicate that the financial condition of the District improved during the last fiscal year. The District's net position reflects the difference between assets and liabilities. An increase in net position over time typically indicates an improvement in financial condition.

NET POSITION

A summary of the District's Statements of Net Position is presented below.

Table 1

Condensed Statements of Net Position

	<u>2021</u>	<u>2020</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Current and Other Assets	\$ 4,357,618	\$ 4,168,553	\$ 189,065	4.54%
Capital Assets, Net	<u>5,068,523</u>	<u>4,760,734</u>	<u>307,789</u>	<u>6.47%</u>
Total Assets	<u>9,426,141</u>	<u>8,929,287</u>	<u>496,854</u>	<u>5.56%</u>
Long-term Debt	2,107,600	2,165,300	(57,700)	-2.66%
Other Liabilities	<u>915,404</u>	<u>853,574</u>	<u>61,830</u>	<u>7.24%</u>
Total Liabilities	<u>3,023,004</u>	<u>3,018,874</u>	<u>4,130</u>	<u>0.14%</u>
Net Position Invested in Capital Assets, Net of Related Debt	2,858,267	2,494,540	363,727	14.58%
Designated Net Position	1,813,607	1,632,221	181,386	11.11%
Undesignated Net Position	<u>1,731,263</u>	<u>1,783,652</u>	<u>(52,389)</u>	<u>-2.94%</u>
Total Net Position	<u>\$ 6,403,137</u>	<u>\$ 5,910,413</u>	<u>\$ 492,724</u>	<u>8.34%</u>

As the above table indicates, total assets increased by \$496,854 from \$8,929,287 to \$9,426,141 during the fiscal year ended June 30, 2021. This is comprised of an increase of \$189,065 in current and other assets and an increase of \$307,789 in capital assets. The increase in capital assets, net is primarily due to Sewer Fund improvements.

Total liabilities reflect an increase of \$4,130. This includes the loan balance decrease of \$54,800, an increase of \$65,323 in accounts payable and accrued expenses, an increase of \$30,905 related to pension liability and a decrease of \$19,313 in accrued interest and other payables.

FORESTVILLE WATER DISTRICT AND SEWER SERVICE ZONE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2021

NET POSITION (Continued)

Table 2
Condensed Statements of Revenues, Expenses and Changes in Net Position

	2021	2020	Dollar Change	Percent Change
Operating Revenues	\$ 2,332,515	\$ 2,168,922	\$ 163,593	7.54%
Nonoperating Revenues	97,000	129,462	(32,462)	-25.07%
Total Revenues	<u>2,429,515</u>	<u>2,298,384</u>	<u>131,131</u>	<u>5.71%</u>
Depreciation Expense	233,407	220,957	12,450	5.63%
Other Operating Expenses	1,703,384	1,789,886	(86,502)	-4.83%
Total Expenses	<u>1,936,791</u>	<u>2,010,843</u>	<u>(74,052)</u>	<u>-3.68%</u>
Change in Net Position	492,724	287,541	205,183	71.36%
Beginning Net Position	5,910,413	5,604,971	305,442	5.45%
Prior Period Adjustment	-	17,901	(17,901)	100.00%
Ending Net Position	<u>\$ 6,403,137</u>	<u>\$ 5,910,413</u>	<u>\$ 492,724</u>	<u>8.34%</u>

The Statements of Revenues, Expenses and Changes in Net Position identify the various revenue and expense items which affect the change in net position. As the information in Table 2 indicates, a net operating income of \$395,724 coupled with net non-operating income of \$97,000 resulted in an increase of \$492,724 in net position for the year ended June 30, 2021.

Table 2, Condensed Statements of Revenues, Expenses and Changes in Net Position, indicates that the District's total revenues increased by \$131,131 or 5.71% to \$2,429,515 in the fiscal year ended June 30, 2021 from \$2,298,384 the prior year. The increase in revenue was due mainly to an increase in charges of services income of \$156,345, and non-operating income decrease of \$32,462 primarily from decrease in Grant and interest income. Total expenses decreased by \$74,052. This decrease is due mainly to decrease in collection, treatment and disposal of \$31,399, decrease in administrative expenses by \$66,909 and decrease in water transmission and distribution of \$37,368.

CAPITAL ASSETS

As of June 30, 2021, the District's investment in capital assets totaled \$5,068,523, which is a net increase of \$307,789 or 6.47% over the capital asset balance of \$4,760,734 as of June 30, 2020. The increase is due to utility plant improvements. A comparison of the District's capital assets over the past two fiscal years is presented in Note D of the financial statements.

FORESTVILLE WATER DISTRICT AND SEWER SERVICE ZONE

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2021

LONG-TERM DEBT

As of June 30, 2021, the District had \$2,165,300 in outstanding debt due to the USDA. The loan provided funding for an upgrade of its wastewater treatment plant. Refer to the Note F to financial statements for greater details.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Board of Directors adopts the District's budget on an annual basis which provides funding for the District's operating, capital and debt service costs for upcoming fiscal year. The District's service charge rates are reviewed by staff and the Board of Directors on an as-needed basis. The District's primary source of revenue comes from supplying water and providing sanitation services to residential and commercial users.

ADDITIONAL FINANCIAL INFORMATION

This financial report is designed to provide the District's customers, investors and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information; please contact the Forestville Water District and Sewer Service Zone General Manager at 6530 Mirabel Rd, Forestville, CA 95436. Contact number (707) 887-1551.

FORESTVILLE WATER DISTRICT AND SEWER SERVICE ZONE
STATEMENT OF NET POSITION
ENTERPRISE FUNDS
JUNE 30, 2021
(with year 2020 comparative totals)

	<u>WATER FUND</u> <u>2021</u>	<u>SEWER FUND</u> <u>2021</u>	<u>TOTAL</u> <u>2021</u>	<u>TOTAL</u> <u>2020</u>
Assets				
Current Assets				
Cash	\$ 810,556	\$ 1,222,532	\$ 2,033,088	\$ 1,969,152
Investment in Sonoma County pooled investment fund	740,211	197,108	937,319	930,086
Certificates of deposit	669,965	144,510	814,475	851,323
Trade receivable	223,676	72,016	295,692	198,183
Other receivable	3,708	9,805	13,513	19,075
Inventory	8,243	-	8,243	8,243
Prepaid Expenses	5,104	-	5,104	4,629
Total Current Assets	<u>2,461,463</u>	<u>1,645,971</u>	<u>4,107,434</u>	<u>3,980,691</u>
Noncurrent Assets				
Capital assets (net of accumulated depreciation)				
Land	46,880	5,900	52,780	52,780
Utility plant	859,504	4,090,101	4,949,605	4,651,396
Tools and service equipment	45,108	21,030	66,138	56,558
Total Noncurrent Assets	<u>951,492</u>	<u>4,117,031</u>	<u>5,068,523</u>	<u>4,760,734</u>
Deferred Outflows of Resources				
Deferred Outflows of Resources	250,184	-	250,184	187,862
Total Assets	<u>3,663,139</u>	<u>5,763,002</u>	<u>9,426,141</u>	<u>8,929,287</u>
Liabilities				
Current Liabilities				
Accounts payable and accrued expenses	88,972	81,716	170,688	105,365
Accrued interest payable to other governments	-	44,956	44,956	46,094
Due to other governments	-	57,700	57,700	54,800
Due to Sewer Fund/water	-	3,708.00	3,708	15,303
Total Current Liabilities	<u>88,972</u>	<u>188,080</u>	<u>277,052</u>	<u>221,562</u>
Noncurrent Liabilities				
Compensated absences	23,527	-	23,527	30,107
Due to other governments	-	2,107,600	2,107,600	2,165,300
Net Pension Liability	607,745	-	607,745	576,840
Total Noncurrent Liabilities	<u>631,272</u>	<u>2,107,600</u>	<u>2,738,872</u>	<u>2,772,247</u>
Deferred Inflows of Resources				
Deferred Inflows of Resources	7,080	-	7,080	25,065
Total Liabilities	<u>727,324</u>	<u>2,295,680</u>	<u>3,023,004</u>	<u>3,018,874</u>
Net Position				
Investment in capital assets, Net of related debt	951,492	1,906,775	2,858,267	2,494,540
Restricted for:				
Capital Outlay	649,612	-	649,612	503,194
Connection fees	724,276	439,719	1,163,995	1,129,027
Unrestricted	610,435	1,120,828	1,731,263	1,783,652
Total Net Position	<u>\$ 2,935,815</u>	<u>\$ 3,467,322</u>	<u>\$ 6,403,137</u>	<u>\$ 5,910,413</u>

FORESTVILLE WATER DISTRICT AND SEWER SERVICE ZONE
STATEMENT OF REVENUES EXPENSES AND CHANGE IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2021
(with year 2020 comparative totals)

	<u>WATER FUND 2021</u>	<u>SEWER FUND 2021</u>	<u>TOTAL 2021</u>	<u>TOTAL 2020</u>
Operating Revenues				
Charges for services	\$ 1,144,633	\$ 1,152,914	\$ 2,297,547	\$ 2,141,202
Connection fees	10,135	24,833	34,968	27,720
Total Operating Revenues	<u>1,154,768</u>	<u>1,177,747</u>	<u>2,332,515</u>	<u>2,168,922</u>
Operating Expenses				
Source of supply	430,181	-	430,181	381,007
Collection, treatment and disposal	-	551,587	551,587	582,986
Water transmission and distribution	362,620	-	362,620	399,988
Administrative and general	221,003	137,993	358,996	425,905
Depreciation and Amortization	46,883	186,524	233,407	220,957
Total Operating Expenses	<u>1,060,687</u>	<u>876,104</u>	<u>1,936,791</u>	<u>2,010,843</u>
Operating income (loss)	<u>94,081</u>	<u>301,643</u>	<u>395,724</u>	<u>158,079</u>
Nonoperating revenues (expense)				
Taxes and assessments	178,608	-	178,608	170,466
Grants/Misc.	4,408	-	4,408	24,414
Interest expense	-	(108,123)	(108,123)	(110,839)
Investment earnings	20,391	1,716	22,107	45,421
Total Nonoperating revenues (expense)	<u>203,407</u>	<u>(106,407)</u>	<u>97,000</u>	<u>129,462</u>
Net Income (loss) before transfer of capital	297,488	195,236	492,724	287,541
Net Position - Beginning of Year	2,638,327	3,272,086	5,910,413	5,604,971
Prior Period Adjustment	-	-	-	17,901
Net Position - End of Year	<u>\$ 2,935,815</u>	<u>\$ 3,467,322</u>	<u>\$ 6,403,137</u>	<u>\$ 5,910,413</u>

The notes to the financial statements are an integral part of this statement

FORESTVILLE WATER DISTRICT AND SEWER SERVICE ZONE
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED JUNE 30, 2021
(with year 2020 comparative totals)

	<u>WATER FUND 2021</u>	<u>SEWER FUND 2021</u>	<u>TOTAL 2021</u>	<u>TOTAL 2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Receipts from Customers	\$ 1,117,789	\$ 1,119,007	\$ 2,236,796	\$ 2,117,673
Cash payments to suppliers for goods and services	(633,371)	(356,265)	(989,636)	(941,443)
Cash Payments to employees for services	(428,160)	(251,469)	(679,629)	(690,320)
Net Cash Provided (Used) by Operating Activities	<u>56,258</u>	<u>511,273</u>	<u>567,531</u>	<u>485,910</u>
CASH FLOWS FROM NON-CAPITAL ACTIVITIES:				
Grants received	4,408	-	4,408	24,414
Cash received from tax proceeds and assessments	178,608	-	178,608	170,466
Net Cash Provided (Used) by Non-Capital Activities	<u>183,016</u>	<u>-</u>	<u>183,016</u>	<u>194,880</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisitions of capital assets	(197,482)	(343,714)	(541,196)	(267,284)
Principal payments - other governments	-	(54,800)	(54,800)	(51,900)
Interest payments - other governments	-	(109,261)	(109,261)	(111,919)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(197,482)</u>	<u>(507,775)</u>	<u>(705,257)</u>	<u>(431,103)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest received on investments	24,163	1,716	25,879	23,534
Net Cash Provided (Used) by Investing Activities	<u>24,163</u>	<u>1,716</u>	<u>25,879</u>	<u>23,534</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	65,955	5,214	71,169	273,221
CASH - BEGINNING OF YEAR	<u>1,484,812</u>	<u>1,414,426</u>	<u>2,899,238</u>	<u>2,626,017</u>
CASH - END OF YEAR	<u>\$ 1,550,767</u>	<u>\$ 1,419,640</u>	<u>\$ 2,970,407</u>	<u>\$ 2,899,238</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Net Operating Income	\$ 94,081	\$ 301,643	\$ 395,724	\$ 158,079
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:				
Depreciation	46,883	186,524	233,407	220,957
Change in Assets and Liabilities:				
Decrease (Increase) in trade receivables	(36,979)	(74,043)	(111,022)	(13,029)
Decrease (Increase) in other receivables	-	15,303	15,303	17,572
(Increase) Decrease in prepaid insurance	(475)	-	(475)	4,481
Decrease (Increase) in certification of deposits	36,856	(8)	36,848	-
(Decrease) Increase in accounts payable/accrued expenses	(19,403)	78,146	58,743	43,093
(Decrease) Increase in due to sewer funds	(15,303)	3,708	(11,595)	(17,572)
(Decrease) Increase in net pension liability	(49,402)	-	(49,402)	72,329
Net Cash Provided by (used for) Operating Activities	<u>\$ 56,258</u>	<u>\$ 511,273</u>	<u>\$ 567,531</u>	<u>\$ 485,910</u>

**FORESTVILLE WATER DISTRICT AND SEWER SERVICE ZONE
WATER FUND**

STATEMENT OF NET POSITION
ENTERPRISE FUNDS
JUNE 30, 2021 and 2020

	2021	2020
Assets		
Current Assets		
Cash	\$ 810,556	\$ 750,313
Investment in Sonoma County pooled investment fund	740,211	734,499
Certificates of deposit	669,965	706,821
Trade receivable	223,676	190,405
Other receivable	3,708	3,772
Inventory	8,243	8,243
Prepaid Expenses	5,104	4,629
Total Current Assets	2,461,463	2,398,682
Noncurrent Assets		
Capital assets (net of accumulated depreciation)		
Land	46,880	46,880
Utility plant	859,504	697,455
Tools and service equipment	45,108	56,558
Total Noncurrent Assets	951,492	800,893
Deferred Outflows of Resources		
Deferred Outflows of Resources	250,184	187,862
Total Assets	3,663,139	3,387,437
Liabilities		
Current Liabilities		
Accounts payable and accrued expenses	88,972	101,795
Due to Sewer Fund	-	15,303
Total Current Liabilities	88,972	117,098
Noncurrent Liabilities		
Compensated absences	23,527	30,107
Net Pension Liability	607,745	576,840
Total Noncurrent Liabilities	631,272	606,947
Deferred Inflows of Resources		
Deferred Inflows of Resources	7,080	25,065
Total Liabilities	727,324	749,110
Net Position		
Investment in capital assets, Net of related debt	951,492	800,893
Restricted for:		
Capital Outlay	649,612	503,194
Connection fees	724,276	714,141
Unrestricted	610,435	620,099
Total Net Position	\$ 2,935,815	\$ 2,638,327

The notes to the financial statements are an integral part of this statement

FORESTVILLE WATER DISTRICT AND SEWER SERVICE ZONE
WATER FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Operating Revenues		
Charges for services	\$ 1,144,633	\$ 1,059,435
Connection fees	10,135	27,720
	<u>1,154,768</u>	<u>1,087,155</u>
Operating Expenses		
Source of supply	430,181	381,007
Water transmission and distribution	362,620	399,988
Administrative general	221,003	348,582
Depreciation and Amortization	46,883	39,039
	<u>1,060,687</u>	<u>1,168,616</u>
Operating income (loss)	<u>94,081</u>	<u>(81,461)</u>
Nonoperating revenues (expense)		
Taxes and assessments	178,608	170,466
Grants/Misc.	4,408	-
Investment earnings	20,391	36,913
	<u>203,407</u>	<u>207,379</u>
Income (loss) before transfer of capital	297,488	125,918
Net Position - Beginning of Year	2,638,327	2,494,508
Prior Period Adjustment	<u>-</u>	<u>17,901</u>
Net Position - End of Year	<u>\$ 2,935,815</u>	<u>\$ 2,638,327</u>

The notes to the financial statements are an integral part of this statement

**FORESTVILLE WATER DISTRICT AND SEWER SERVICE ZONE
WATER FUND**

STATEMENT OF CASH FLOW
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Receipts from Customers	\$ 1,117,789	\$ 1,029,671
Cash payments to suppliers for goods and services	(633,371)	(487,325)
Cash Payments to employees for services	(428,160)	(486,454)
	<u>56,258</u>	<u>55,892</u>
CASH FLOWS FROM NON-CAPITAL ACTIVITIES:		
Grants Revised	4,408	-
Cash received from tax proceeds and assessments	178,608	170,466
	<u>183,016</u>	<u>170,466</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisitions of capital assets	(197,482)	(185,642)
	<u>(197,482)</u>	<u>(185,642)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received on investments	24,163	19,526
	<u>24,163</u>	<u>19,526</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	65,955	60,242
CASH - BEGINNING OF YEAR	<u>1,484,812</u>	<u>1,424,570</u>
CASH - END OF YEAR	<u>\$ 1,550,767</u>	<u>\$ 1,484,812</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Net Operating Income	\$ 94,081	\$ (81,461)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:		
Depreciation	46,883	39,039
Change in Assets and Liabilities:		
Decrease (Increase) in Certificates of Deposit	36,856	-
Decrease (Increase) in trade receivables	(36,979)	(19,265)
Decrease in prepaid insurance	(475)	4,481
(Decrease) Increase in accounts payable/accrued expenses	(19,403)	58,341
(Decrease) Increase in due to sewer funds	(15,303)	(17,572)
(Decrease) Increase in net pension liability	(49,402)	72,329
	<u>\$ 56,258</u>	<u>\$ 55,892</u>
Net Cash Provided by (used for) Operating Activities	<u>\$ 56,258</u>	<u>\$ 55,892</u>

The notes to the financial statements are an integral part of this statement

FORESTVILLE WATER DISTRICT AND SEWER SERVICE ZONE
SEWER FUND
STATEMENT OF NET POSITION
ENTERPRISE FUNDS
JUNE 30, 2021 and 2020

	2021	2020
Assets		
Current Assets		
Cash	\$ 1,222,532	\$ 1,218,839
Investment in Sonoma County pooled investment fund	197,108	195,587
Certificates of deposit	144,510	144,502
Trade receivable	72,016	7,778
Other receivable	9,805	15,303
Total Current Assets	1,645,971	1,582,009
Noncurrent Assets		
Capital assets (net of accumulated depreciation)		
Land	5,900	5,900
Utility plant	4,090,101	3,953,941
Tools and Sewer Equipment	21,030	-
Total Noncurrent Assets	4,117,031	3,959,841
Total Assets	5,763,002	5,541,850
Liabilities		
Current Liabilities		
Accounts payable and accrued expenses	81,716	3,570
Accrued interest payable to other governments	44,956	46,094
Due to other governments	57,700	54,800
Due to Water Fund	3,708	-
Total Current Liabilities	188,080	104,464
Noncurrent Liabilities		
Due to other governments	2,107,600	2,165,300
Total Noncurrent Liabilities	2,107,600	2,165,300
Total Liabilities	2,295,680	2,269,764
Net Position		
Investment in capital assets, Net of related debt	1,906,775	1,693,647
Restricted for:		
Connection fees	439,719	414,886
Unrestricted	1,120,828	1,163,553
Total Net Position	\$ 3,467,322	\$ 3,272,086

The notes to the financial statements are an integral part of this statement

FORESTVILLE WATER DISTRICT AND SEWER SERVICE ZONE
SEWER FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2021 and 2020

	2021	2020
Operating Revenues		
Charges for services	\$ 1,152,914	\$ 1,081,767
Connection Fees	24,833	-
Total Operating Revenues	1,177,747	1,081,767
Operating Expenses		
Collection, treatment and disposal	551,587	582,986
Administrative general	137,993	77,323
Depreciation and Amortization	186,524	181,918
Total Program Expenses	876,104	842,227
Operating income (loss)	301,643	239,540
Nonoperating revenues (expense)		
Grants	-	24,414
Investment earnings	1,716	8,508
Interest expense	(108,123)	(110,839)
Total Nonoperating revenues (expense)	(106,407)	(77,917)
Income (loss) before transfer of capital	195,236	161,623
Net Position - Beginning of Year	3,272,086	3,110,463
Net Position - End of Year	\$ 3,467,322	\$ 3,272,086

The notes to the financial statements are an integral part of this statement

FORESTVILLE WATER DISTRICT AND SEWER SERVICE ZONE
SEWER FUND
STATEMENT OF CASH FLOW
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Receipts from Customers	\$ 1,119,007	\$ 1,088,002
Cash payments to suppliers for goods and services	(356,265)	(454,118)
Cash Payments to employees for services	(251,469)	(203,866)
Net Cash Provided (Used) by Operating Activities	511,273	430,018
CASH FLOWS FROM NON-CAPITAL ACTIVITIES:		
Grants Received	-	24,414
Net Cash Provided (Used) by Non-Capital Activities	-	24,414
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisitions of capital assets	(343,714)	(81,642)
Principal payments - other governments	(54,800)	(51,900)
Interest payments - other governments	(109,261)	(111,919)
Net Cash Provided (Used) by Capital and Related Financing Activities	(507,775)	(245,461)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received on investments	1,716	4,008
Net Cash Provided (Used) by Investing Activities	1,716	4,008
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,214	212,979
CASH - BEGINNING OF YEAR	1,414,426	1,201,447
CASH - END OF YEAR	\$ 1,419,640	\$ 1,414,426
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Net Operating Income	\$ 301,643	\$ 239,540
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:		
Depreciation	186,524	181,918
Change in Assets and Liabilities:		
Decrease (Increase) in trade receivables	(74,043)	6,236
Decrease (Increase) in other receivables	15,303	17,572
Decrease in Certificate of Deposit	(8)	-
(Decrease) Increase in accounts payable/accrued expenses	78,146	(15,248)
(Decrease) Increase in accounts due to Water Fund	3,708	-
Net Cash Provided by (used for) Operating Activities	\$ 511,273	\$ 430,018

The notes to the financial statements are an integral part of this statement

FORESTVILLE WATER DISTRICT AND SEWER SERVICE ZONE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDING JUNE 30, 2021

Note A. Defining the Financial Reporting Entity

The Forestville Water District and Sewer Service Zone (the "District") was established to serve as a special District in the Forestville area of the County of Sonoma (the "County"). The District's original purpose was to supply water to residential and commercial users and provide for connections to and the servicing of the delivery system.

Effective July 1, 2004, the District assumed the management responsibilities of the Forestville Sanitation District from the Sonoma County Water Agency (the "SCWA"). In connection therewith, the District became responsible for maintaining and operating the sanitation and collection system and treatment plant which provide sanitation services to residential and commercial users. The District also assists in providing for connections to the system.

Note B. Summary of Significant Accounting Policies

Measurement focus, basis of accounting, and financial statement presentation

The District applies the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncement. The statement incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with GASB pronouncements: 1) Financial Accounting Standards Board ("FASB") Statements and Interpretations; 2) Accounting Principles Board ("APB") Opinions; and 3) Accounting Research Bulletins ("ARB") of the American Institute of Certified Public Accountants' ("AICPA") Committee on Accounting Procedure.

The District also applies GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position; and GASB Statement No. 65, Items Previously Reported as Assets and Liabilities. These statements establish standards for reporting deferred outflows of resources, deferred inflows of resources and net position for all state and local governments.

The District has adopted the financial reporting provisions of GASB Statement No. 34, Basic Financial Statements - and Management Discussion and Analysis - for State and Local Governments but has elected not to present Management's Discussion and Analysis (MD&A) that GASB has determined is necessary to supplement, although not required to be part of, the basic financial statements.

The District uses a proprietary (enterprise) fund to account for its activities. The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity is financed with debt that is solely secured by a pledge of net revenues.

FORESTVILLE WATER DISTRICT AND SEWER SERVICE ZONE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDING JUNE 30, 2021

Note B. Summary of Significant Accounting Policies (continued)

Measurement focus, basis of accounting, and financial statement presentation

Basis of accounting refers to the point at which revenues or expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied. The District's activities are presented on the accrual basis of accounting.

Property taxes are reported in the period for which they are levied. Other nonexchange revenues, including intergovernmental revenues and grants, are reported when all eligibility requirements have been met. Fees and charges and other exchange revenues are recognized when earned and expenses are recognized when incurred.

The District has elected under Government Accounting Standards Board (GASB) Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting, to apply all applicable GASB pronouncements as well as any applicable pronouncement of the Financial Accounting Standards Board or any Accounting Research Bulletins issued on or before November 20, 1989, unless those pronouncements conflict with or contradict GASB pronouncement. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes generally accepted accounting principles (GAAP) for governmental units.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District are charges for water sales and sanitation service. Operating expenses for the District include expenses related to the purchase and transmission of water; collection, treatment and disposal of waste; administrative expenses; and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted net assets are available, restricted resources are used only when agreed to by a majority vote of the Board of Directors.

Cash and investments

The District applies the provisions of Governmental Accounting Standards Board "GASB") Statement No. 31, Accounting and Financial Reporting for Certain Investments and External Investment Pools, which requires governmental entities, including governmental external investment pools, to report certain investments at fair value in the statement of net position and recognize the corresponding change in the fair value of investments in the year in which the change occurred. For the purposes of the statement of cash flows, the District considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

FORESTVILLE WATER DISTRICT AND SEWER SERVICE ZONE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDING JUNE 30, 2021

Note B. Summary of Significant Accounting Policies (continued)

Trade receivables

Trade receivables consist primarily of uncollected fees for services and flat charges which are established annually and billed through the County of Sonoma's property tax system. Trade receivables are reported at the amount management expects to collect from outstanding balances. The District has established an allowance for doubtful trade receivables based upon factors pertaining to credit risk of specific customers, historical trends, and other information. Delinquent accounts are written off when it is determined that the amounts are uncollectible. As of June 30, 2021, the allowance for doubtful trade receivables amounted to \$2,071.

Inventory

Inventory consists of materials and supplies and is stated at the lower of cost or market determined by the first-in, first-out method.

Restricted assets

Restricted assets represent cash and investments maintained in accordance with bond resolutions or by agreement, for the purpose of funding certain debt service payments and improvements and extensions to the water distribution system and the wastewater treatment system.

Capital assets

Capital assets are stated at cost or estimated historical cost. Costs incurred in construction and installation of capital assets, which benefit future periods, are capitalized. Depreciation is charged as an expense of operations and is based on the estimated useful lives of the assets using the straight-line method as follows:

Utility plant	5-75 years
Office equipment	5-10 years
Tools and service equipment	10 years
Transportation equipment	5-10 years

The costs of normal maintenance and repairs that do not add value to the asset or materially extend the asset's useful life are expensed as incurred.

FORESTVILLE WATER DISTRICT AND SEWER SERVICE ZONE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDING JUNE 30, 2021

Note B. Summary of Significant Accounting Policies (continued)

Compensated absences

The District's employees are entitled to certain compensated absences based on their length of employment. Employees may accumulate earned vacation benefits that can be accrued up to a maximum of 160 to 400 hours per employee based on years of service. Terminated employees are entitled to full payment of unused vacation benefits. Employees may also accumulate sick leave with a maximum accumulated time of 960 hours. The District does not reimburse employees for unused sick leave upon termination; however, sick leave may be utilized towards an employee's longevity factor under his or her retirement, pursuant the requirements of the California Public Employees Retirement System ("PERS").

A liability is calculated for all of the costs of compensated absences based upon benefits earned by employees in the current period for which there is a probability of payment at termination. The salary rates and related payroll costs are those in effect at June 30, 2021. Compensated absences are recorded as an expense when the benefit is earned, and the liability is recorded.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expenses) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenues) until that time.

The District's employee retirement plan qualifies for reporting in this category. Refer to Note G for additional information on deferred inflows and outflows of resources.

Net position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use, either through enabling legislation adopted through external restrictions imposed by creditors, grantors, laws or regulation of other governments or restrictions imposed by the Board of Directors.

Restricted assets represent cash, investments and receivables maintained in accordance with resolutions and formal actions of the Board of Directors for the purpose of funding certain improvements, repairs, and extensions of the water and sewer systems and funding debt service payments.

FORESTVILLE WATER DISTRICT AND SEWER SERVICE ZONE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDING JUNE 30, 2021

Note B. Summary of Significant Accounting Policies (continued)

Budget and budgetary accounting

The Board of Directors adopts a budget annually to be effective July 1st for the ensuing fiscal year. The general manager of the District is authorized to transfer budgeted amounts within the District except for transfers between major expense classes or transfers between capital assets and operating expenses. Such transfers require approval by the Board of Directors

Property taxes

Property taxes, including tax rates, are regulated by the State of California and are administered locally by the County. The County is responsible for assessing, collecting and distributing property taxes in accordance with state law. The County is responsible for the allocation of property taxes to the District. The County has adopted the Teeter Alternative Method of Property Tax Allocation known as the "Teeter Plan". The State Revenue and Taxation Code allows counties to distribute secured real property and supplemental property taxes on an accrual basis resulting in full payment to the District each fiscal year. Any subsequent delinquent payments and related penalties and interest revert to Sonoma County. Property taxes are recognized as revenue when they are levied because they are considered to be both measurable and available.

Sonoma County assesses properties and collects secured property taxes as follows:

Lien date	January 1
Assessment date	July 1
Due dates	November 1 (50%) February 1 (50%)
Delinquent dates	December 10 April 10

Real property taxes are reported as "nonoperating" revenue under governmental accounting and financial reporting principles since they are not directly related to the sale of water. However, the property taxes collected by the District are designed to assist the District in recovering operating costs associated with fire protection and the provision of readily available water service to the entire District. Those costs are included in the operating expenses.

Charges for sewer service are levied and collected through Sonoma County property tax rolls. The amounts collected are reported as "charges for services" revenue under the governmental accounting and financial reporting principles since they are directly related to the collection, treatment and disposal of waste.

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 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.

FORESTVILLE WATER DISTRICT AND SEWER SERVICE ZONE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDING JUNE 30, 2021

Note C. Cash and Investments

In accordance with California Governmental Code Section 53630, the District's investment policy authorizes investments only in savings accounts or certificates of deposit with federally insured financial institutions, or through the Sonoma County pooled investment fund (the "Pool").

Pooled Investment Guidelines

The District's pooled cash and investments are invested pursuant to investment policy guidelines established by the County Treasurer and approved by the County Board of Supervisors. The objectives of the policy are, in order of priority: 1) safety of capital, 2) liquidity and 3) maximum rate of return. The policy addresses the soundness of financial institutions in which the Treasurer will deposit funds, types of investment instruments as permitted by the California Government Code, and the percentage of the portfolio that may be invested in certain instruments with longer terms to maturity.

Permitted investments include the following:

- U.S. Treasury and federal agency securities
- Bonds issued by local agencies
- Registered State warrants and municipal notes
- Negotiable certificates of deposit
- Bankers' acceptances Commercial paper
- Medium-term corporate notes
- Local agency investment fund (State pool) demand deposits
- Repurchase agreements
- Reverse repurchase agreements
- Shares of a mutual fund average life
- Collateralized mortgage obligations

A copy of the County investment policy is available upon request from the County Treasurer at 585 Fiscal Drive, Room 100F, Santa Rosa, California, 95403.

Statement of Net Position

A reconciliation of cash and investments shown on the accompanying statement of net position is as follows:

	<u>2021</u>	<u>2020</u>
Cash	\$ 2,033,088	\$ 1,969,152
Investment in Sonoma County pooled investment fund	937,319	930,086
Certificate of deposits	<u>814,475</u>	<u>851,323</u>
 Total	 <u>\$ 3,784,882</u>	 <u>\$ 3,750,561</u>

FORESTVILLE WATER DISTRICT AND SEWER SERVICE ZONE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDING JUNE 30, 2021

Note C. Cash and Investments (continued)

Statement of Net Position (continued)

As of June 30, 2021, the District's investments consisted of \$937,319 in the Pool managed by the County Treasurer, which carry a weighted average maturity of approximately one year.

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. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer-term investments, and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity, evenly over time, as necessary to provide the cash flow and liquidity needed for operations.

As of June 30, 2021, all certificates of deposit have a remaining maturity date of 12 months or less.

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 custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

The District's investments at June 30, 2021, are categorized to give an indication of the level of risk assumed by the District. Category 1 includes investments that are insured or registered, or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agency but not in the District's name. Investments in pools managed by other governments or in mutual funds are not required to be categorized.

At June 30, 2021, all the District's investments are in pools managed by other governments and are therefore not subject to categorization.

Cash and certificates of deposit with fiscal agents are collateralized by securities held by the financial institutions acting as fiscal agent. Such securities are typically held in a pool for the purpose of providing collateral and are not held in the name of the District. Funds are available for their designated purpose on short notice.

FORESTVILLE WATER DISTRICT AND SEWER SERVICE ZONE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDING JUNE 30, 2021

Note C. Cash and Investments (continued)

Concentration of Credit Risk

At various times during the year ended June 30, 2021, the District had on deposit with financial institutions amounts in excess of the \$250,000 Federal Deposit Insurance Corporation limit ("FDIC"). As of June 30, 2021, the District had amounts on deposit in financial institutions in excess of the FDIC limit which are fully collateralized by agreement with the financial institution.

Note D. Capital Assets - Water

Capital assets as of June 30, 2021, consist of the following:

	Beginning Balance <u>July 1, 2020</u>	Additions	Retirements/ Adjustments	Ending Balance <u>June 30, 2021</u>
Capital assets, not being depreciated:				
Land	\$ 46,880	\$ -	\$ -	\$ 46,880
Total capital assets, not being depreciated	<u>46,880</u>	<u>-</u>	<u>-</u>	<u>46,880</u>
Capital assets, being depreciated:				
Utility plant	2,161,708	197,482	-	2,359,190
office equipment	68,319	-	-	68,319
Tools and service equipment	51,871	-	-	51,871
Transportation equipment	86,195	-	-	86,195
Total capital assets, being depreciated	<u>2,368,093</u>	<u>197,482</u>	<u>-</u>	<u>2,565,575</u>
Less accumulated depreciation for:				
Utility plant	1,464,253	35,433	-	1,499,686
Office equipment	41,335	2,984	-	44,319
Tools and service equipment	41,463	1,744	-	43,207
Transportation equipment	67,029	6,722	-	73,751
Total accumulated depreciation	<u>1,614,080</u>	<u>46,883</u>	<u>-</u>	<u>1,660,963</u>
Total capital assets, being depreciated, net	<u>754,013</u>	<u>150,599</u>	<u>-</u>	<u>904,612</u>
Capital assets, net	<u>\$ 800,893</u>	<u>\$ 150,599</u>	<u>\$ -</u>	<u>\$ 951,492</u>

Depreciation and amortization expense amounted to \$39,039 for the year.

FORESTVILLE WATER DISTRICT AND SEWER SERVICE ZONE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDING JUNE 30, 2021

Note D. Capital Assets – Sewer (Continued)

Capital assets as of June 30, 2021 consist of the following:

	Beginning Balance July 1, 2020	Additions	Retirements/ Adjustments	Ending Balance June 30, 2021
Capital assets, not being depreciated:				
Land	\$ 5,900	\$ -	\$ -	\$ 5,900
Total capital assets, not being depreciated	<u>5,900</u>	<u>-</u>	<u>-</u>	<u>5,900</u>
Capital assets, being depreciated:				
Utility plant	9,181,257	343,714	-	9,524,971
office equipment	2,135	-	-	2,135
Tools and service equipment	33,496	-	-	33,496
Transportation equipment	-	-	-	-
Total capital assets, being depreciated	<u>9,216,888</u>	<u>343,714</u>	<u>-</u>	<u>9,560,602</u>
Less accumulated depreciation for:				
Utility plant	5,251,391	183,479	-	5,434,870
Office equipment	2,135	-	-	2,135
Tools and service equipment	9,421	3,045	-	12,466
Transportation equipment	-	-	-	-
Total accumulated depreciation	<u>5,262,947</u>	<u>186,524</u>	<u>-</u>	<u>5,449,471</u>
Total capital assets, being depreciated, net	<u>3,953,941</u>	<u>157,190</u>	<u>-</u>	<u>4,111,131</u>
Capital assets, net	<u>\$ 3,959,841</u>	<u>\$ 157,190</u>	<u>\$ -</u>	<u>\$ 4,117,031</u>

Depreciation and amortization expense amounted to \$186,524 for the year.

Note E. Line of Credit

On September 11, 2012, the Board of Directors authorized a line of credit of up to \$250,000 from the water system reserves to fund the sewer system's contract for removal of bio solids from the holding pond. The line of credit bears interest 2.5% per annum and is due in equal monthly installments over 10 years, commencing on the date of first draw of funds. As of June 30, 2021, there were no funds disbursed.

Note F. Due to Other Governments

During the fiscal year ended June 30, 2002, the District received a loan from the United States Department of Agriculture ("USDA") to help fund an upgrade of its wastewater treatment plant. This upgrade was necessary to comply with the North Coast Regional Water Quality Control Board's Basin Plan for the Russian River. As of June 30, 2021, the District had received \$2,838,300 from the USDA and has a remaining payable of \$2,165,300.

FORESTVILLE WATER DISTRICT AND SEWER SERVICE ZONE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDING JUNE 30, 2021

Note F. Due to Other Governments (continued)

The loan currently calls for semiannual payments of approximately \$81,500. The expected term is 40 years at annual interest rates ranging from 4.75% to 5.00% with the last payment scheduled for February 2042.

Annual debt service requirements for the next five years and in the aggregate for amounts due to other governments are as follows:

Year ending June 30,	<u>Principal</u>	<u>Interest</u>
2022	\$ 57,700	\$ 106,459
2023	60,900	103,504
2024	64,100	100,391
Thereafter	<u>1,982,600</u>	<u>1,083,304</u>
	<u>\$ 2,165,300</u>	<u>\$ 1,393,658</u>

Note G. Employees' Retirement Plan

Plan Description

The District contributes to PERS, an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the state of California. Benefit provisions and all other requirements are established by state statute and District ordinance. Copies of PERS' annual financial report may be obtained from its executive office: 400 Q Street, Sacramento, California 95811.

In September 2012, Governor Brown signed the Public Employee Pension Reform Act of 2013 ("PEPRA"). PEPRA went into effect on January 1, 2013. The impact of PEPRA on the District retirement benefits is that all new employees are mandated into a new tier of PERS retirement benefits titled 2.0% at age 62. The 2.0% at age 62 is a lesser benefit than the 2.7% at age 55 unless an employee works past the age of 66. As of June 30, 2021, there were 4 covered employees under the 2.0% at 62 plan and 2 employees under the 2.7% at 55 plans.

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ending June 30, 2020 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2019, with update procedures used to roll forward the total pension liability. For the fiscal years ended June 30, 2021, and 2020, the District total pension liability were based on the following actuarial methods and assumptions.

FORESTVILLE WATER DISTRICT AND SEWER SERVICE ZONE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDING JUNE 30, 2021

Note G. Employees' Retirement Plan (continued)

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.15% Net of Pension Plan Investment and Administrative Expenses; includes Inflation
Post Retirement Benefit Increase	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies

Funding policy

Employees are not required to contribute. The District makes all contributions required of employees on their behalf. Generally, the District is required to contribute at an actuarially determined rate of annual covered payroll. The miscellaneous plan actuarial determined contribution rate for the year ended June 30, 2021, was 13.515%, plus a flat contribution in the amount of \$40,041 for the employer's payment of the unfunded liability. The PEPRA miscellaneous plan actuarial determined contribution rate for the year ended June 30, 2021, was 7.732%, plus a flat contribution in the amount of \$2,104 for the employer's payment of the unfunded liability. The contribution requirements of plan members and the District are established and may be amended by PERS.

Pension Liability, Pension Expense, and Deferred Outflows/ Inflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2021, the District reported a liability of \$607,745 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all Pension Plan participants, actuarially determined. For the fiscal year ended June 30, 2021, the District's proportion of the pooled liability was 0.014408%.

For the year ended June 30, 2021, the District recognized pension expense of \$125,021 in the statement of revenues, expenses, and changes in net position. Pension expense represents the change in the net pension liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions or methods, and plan benefits. For the year ended June 30, 2021, the District reported deferred outflows of resources in the amount of \$250,184 related to contributions subsequent to the measurement date and deferred inflows of resources in the amount of \$7,080 related to differences between the expected and actual experience of the plan.

FORESTVILLE WATER DISTRICT AND SEWER SERVICE ZONE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDING JUNE 30, 2021

Note G. Employees' Retirement Plan (continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely results in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15 percent discount rate is adequate, and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1 - 10</u>	<u>Real Return Years 11 +</u>
Global Equity	50.0%	48.0%	5.98%
Global Fixed Income	28.00	1.00	2.62
Inflation Sensitive	-	0.77	1.81
Private Equity	8.00	6.30	7.23
Real Estate	13.00	3.75	4.92
Liquidity	1.00	-	(0.92)

The following presents the net pension liability/(assets) of the Plan as of the measurement date, calculated using the discount rate of 7.15 percent, as well as what the net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15 percent) or 1 percentage-point higher (8.15 percent) than the current rate:

	<u>Discount Rate - 1% (6.15%)</u>	<u>Current Discount Rate (7.15%)</u>	<u>Discount Rate + 1% (8.15%)</u>
Plan's Net Pension Liability/(Asset) - June 30, 2021	\$ 901,712	\$ 607,745	\$ 364,849
Plan's Net Pension Liability/(Asset) - June 30, 2020	\$ 858,347	\$ 576,840	\$ 344,475

FORESTVILLE WATER DISTRICT AND SEWER SERVICE ZONE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDING JUNE 30, 2021

Note G. Employees' Retirement Plan (continued)

For the fiscal year ended June 30, 2021 and 2020, pension expense recognized is as follows:

	<u>2021</u>	<u>2020</u>
Service Costs	\$ 62,302	\$ 60,370
Interest on TPL	183,920	174,655
Changes of Benefits Terms	130	185
Changes of Assumptions	22,094	28,966
Difference between Expected & Actual Experience	16,798	12,981
Net Plan to Plan Resource Movement	(5,800)	(4,069)
Contributions- Employee	(28,488)	(26,601)
Net Investment Income	15,155	22,958
Administrative Expenses	2,833	1,362
Other Miscellaneous Expenses	-	(4)
Projected Earnings on PPI	<u>(143,923)</u>	<u>(134,881)</u>
 Total Pension Expense (Income)	 <u>\$ 125,021</u>	 <u>\$ 135,922</u>

For the fiscal year ended June 30, 2021, the Forestville Water District and Sewer Service Zone incurred a pension expense/ (income) of \$125,021 for the Plan (the pension expense for risk pool for the measurement period is \$867,712,876.

As of June 30, 2021, the Forestville Water District and Sewer Service Zone reports other amounts for the Plan as deferred outflows and deferred inflows of resources related to pensions as follows:

	<u>FY21 Deferred Outflows of Resources</u>	<u>FY21 Deferred Inflows of Resources</u>	<u>FY20 Deferred Outflows/(Inflows) of Resources - Net</u>
Difference between Expected and Actual Experience	\$ 31,319	\$ -	\$ 36,960
Changes of Assumptions	-	4,335	17,755
Net Difference between Projected and Actual Earnings on Pension Plan Investments	18,054	-	(10,085)
Difference between Employer's Contribution and Proportionate Share of Contribution	6,785	1,801	20,500
Pension Contributions made Subsequent to Measurement Date	130,954	-	-
Changes in Employees Proportion	<u>18,052</u>	<u>944</u>	<u>28,567</u>
 Total	 <u>\$ 205,164</u>	 <u>\$ 7,080</u>	 <u>\$ 162,797</u>

FORESTVILLE WATER DISTRICT AND SEWER SERVICE ZONE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDING JUNE 30, 2021

Note G. Employees' Retirement Plan (continued)

Amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

Measurement Period Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	47,017
2023	51,244
2024	38,783
2025	34,850
2026	26,190
Thereafter	0

Note H. Commitments and Contingencies

Mirabel Heights Special Assessment District- Water

The annexation and formation of the Mirabel Heights Special Assessment District was completed September 1, 1979. The District received a grant of \$346,700 from the Farmers Home Administration for the construction of new facilities for this area, and special assessment bonds in the amount of \$125,500 were issued by the District to pay the remainder of these costs. Interest is payable semi-annually at the rate of 5% per annum on the bonds which mature serially through 2019. These bonds are paid by the individual property owners through special assessments and are therefore, not reported as liabilities of the District. The County of Sonoma, through the Treasurer's office, collects the assessments and services the debt. The District is contingently liable in the event that individual property assessments are not collected.

Mirabel Heights Special Assessment District - Sewer

Bonded indebtedness of \$1,762,400 was incurred in 1999 for the construction of the Mirabel Heights Water Pollution Control Project (the "Project"). The Project consists of a collection system allowing for the delivery of wastewater for treatment and disposal. Interest is payable semi-annually at a rate of 4.75% per annum on the bonds which mature serially through 2038. These bonds are paid by the individual property owners through special assessments and are therefore, not reported as liabilities of the District. The County of Sonoma, through the Treasurer's office, collects the assessments and services the debt. The District is contingently liable in the event that individual property assessments are not collected.

FORESTVILLE WATER DISTRICT AND SEWER SERVICE ZONE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDING JUNE 30, 2021

Note I. New Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) has released the following new standards:

GASB Statement No. 75 -Accounting and Financial Reporting for Postemployment Benefit Plans other than Pensions Effective for fiscal years beginning after June 15, 2017, this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/ expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

GASB Statement No. 83 - Certain Asset Retirement Obligations, this Statement addresses accounting and financial reporting for certain asset retirement obligations ("ARO's"). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement is effective for financial reporting periods beginning after June 15, 2018.

The impact on the basic financial statements of the District of these pronouncements which have not yet been adopted is unknown at this time.

Note J. Subsequent Events

In accordance with FASB Accounting Standards Codification Topic 855, Subsequent Events, the District has evaluated subsequent events through January 26, 2022, the date these financial statements were available to be issued and have determined that there are no subsequent events that require disclosure.

FORESTVILLE WATER DISTRICT AND SEWER SERVICE ZONE
Roster of Board Members

		<u>4-Year Term Expires</u>
1	Matthew McDermott - Board Chair	December 2023
2	Diane Hughes	December 2023
3	Rob Akins	December 2021
4	Heather Aldridge	December 2023
5	Ben Monroe	December 2021

The audit of the Forestville Water District and Sewer Service Zone as of and for the year ended June 30, 2021, was authorized by the Board of Directors of the District.