

**FORESTVILLE WATER DISTRICT
AND
SEWER SERVICE ZONE**

Independent Auditor's Report
and
Basic Financial Statements

For the Fiscal Years Ended June 30, 2023 and 2022

FORESTVILLE WATER DISTRICT AND SEWER SERVICE ZONE

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INDEPENDENT AUDITOR'S REPORT

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

Opinions

We have audited the accompanying financial statements of the and for the years ended June 30, 2023, and 2022 and the related notes to the financial statements, which collectively comprise the Forestville Water District and Sewer Service Zone, basic financial statements as listed in the table of contents.

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, 2023 and 2022, 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.

Basis for Opinions

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 District. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Forestville Water District and Sewer Service Zone, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 the Forestville Water District and Sewer Service Zone 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

Our 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 our 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, we:

- 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 Forestville Water District and Sewer Service Zone'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 our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Forestville Water District and Sewer Service Zone's ability to continue as a going concern for a reasonable period of time.

We are 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.

Other Matters

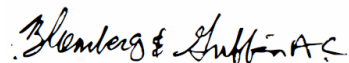
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 4-8) 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.
Stockton, CA
November 29, 2023

FORESTVILLE WATER DISTRICT AND SEWER SERVICE ZONE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2023 and 2022

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 years ended June 30, 2023 and 2022. This information is presented in conjunction with the audited basic financial statements, which follow this section.

FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2022/23

- The District's net position increased by \$480,873 or 7.94% from \$6,056,911 to \$6,537,784 mainly due to pension related adjustment.
- Operating Revenues decreased by \$133,677 or 5.97% from \$2,237,435 to \$2,103,758.
- Operating expenses decreased by \$446,155 or 17.19% to \$2,148,804 due to pension related adjustment.
- District received sewer grant in the amount of \$300,258 from State of California.

FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2021/22

- The District's net position decreased by \$346,226 or 5.41% from \$6,403,137 to \$6,056,911 mainly due to pension related adjustment.
- Operating Revenues decreased by \$95,080 or 4.08% from \$2,332,515 to \$2,237,435.
- Operating expenses increased by \$658,168 or 33.98% to \$2,594,959 due to pension related adjustment.
- District is currently receiving property tax revenues of \$193,789 an increase of \$15,181.

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, 2023. This statement provides information on

FORESTVILLE WATER DISTRICT AND SEWER SERVICE ZONE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2023 and 2022

REQUIRED FINANCIAL STATEMENTS (continued)

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.

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

	2023	2022	Dollar Change	Percent Change
Current and Other Assets	\$ 4,329,327	\$ 4,834,349	\$ (505,022)	-10.45%
Capital Assets, Net	5,632,940	5,265,023	367,917	6.99%
Total Assets	9,962,267	10,099,372	(137,105)	-1.36%
Long-term Debt	2,010,318	2,055,700	(45,382)	-2.21%
Other Liabilities	1,414,165	1,986,761	(572,596)	-28.82%
Total Liabilities	3,424,483	4,042,461	(617,978)	-15.29%
Net Position Invested in Capital Assets, Net of Related Debt	3,545,034	3,157,423	387,611	12.28%
Designated Net Position	1,898,275	1,849,099	49,176	2.66%
Undesignated Net Position	1,094,475	1,050,389	44,086	4.20%
Total Net Position	\$ 6,537,784	\$ 6,056,911	\$ 480,873	7.94%

FORESTVILLE WATER DISTRICT AND SEWER SERVICE ZONE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2023 and 2022

NET POSITION (continued)

FY2022/23 - As the above table indicates, total assets decreased by \$137,105 from \$10,099,372 to \$9,962,267 during the fiscal year ended June 30, 2023. This is comprised of a decrease of \$505,022 in current and other assets and an increase of \$367,917 in capital assets. The increase in capital assets, net is primarily due to utility plant improvements.

Total liabilities reflect a decrease of \$617,978. This includes decrease in loan balance of \$19,694, a decrease of \$6,473 in accounts payable and accrued expenses, a decrease of \$126,665 related to pension liability, decrease of \$449,794 in amount due to water funds, and a decrease of \$13,747 in accrued interest and other payables.

FY2021/22 - As the above table indicates, total assets increased by \$673,231 from \$9,426,141 to \$10,099,372 during the fiscal year ended June 30, 2022. This is comprised of an increase of \$476,731 in current and other assets and an increase of \$196,500 in capital assets. The increase in capital assets, net is primarily due to Sewer Fund improvements.

Total liabilities reflect an increase of \$1,019,457. This includes the loan balance decrease of \$57,700, a decrease of \$9,661 in accounts payable and accrued expenses, an increase of \$620,968 related to pension liability, increase of \$446,086 in amount due to water funds, and a decrease of \$1,198 in accrued interest and other payables.

Table 2

Condensed Statements of Revenues, Expenses and Changes in Net Position

	2023	2022	Dollar Change	Percent Change
Operating Revenues	\$ 2,103,758	\$ 2,237,435	\$ (133,677)	-5.97%
Nonoperating Revenues	525,919	11,298	514,621	4554.97%
Total Revenues	<u>2,629,677</u>	<u>2,248,733</u>	<u>380,944</u>	<u>16.94%</u>
Depreciation Expense	317,908	276,218	41,690	15.09%
Other Operating Expenses	1,830,896	2,318,741	(487,845)	-21.04%
Total Expenses	<u>2,148,804</u>	<u>2,594,959</u>	<u>(446,155)</u>	<u>-17.19%</u>
Change in Net Position	480,873	(346,226)	827,099	-238.89%
Beginning Net Position	<u>6,056,911</u>	<u>6,403,137</u>	<u>(346,226)</u>	<u>-5.41%</u>
Ending Net Position	<u><u>\$ 6,537,784</u></u>	<u><u>\$ 6,056,911</u></u>	<u><u>\$ 480,873</u></u>	<u><u>7.94%</u></u>

FORESTVILLE WATER DISTRICT AND SEWER SERVICE ZONE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2023 and 2022

NET POSITION (Continued)

FY2022/23 - 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 expense of \$45,046 coupled with net non-operating income of \$525,919 resulted in a positive net income of \$480,873 in net position for the year ended June 30, 2023.

The table 2 also indicated that the District's total revenues increased by \$380,944 or 16.94% to \$2,629,677 in the fiscal year ended June 30, 2023. An increase in revenue was due mainly to a grant income for the sewer project, and investment earnings of \$188,508. Total expenses decreased by \$446,155. This decrease is primarily due mainly to pension related adjustments.

FY2021/22 - 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 expense of \$357,524 coupled with net non-operating income of \$11,298 resulted in a decrease of \$346,226 in net position for the year ended June 30, 2022.

The table 2 also indicated that the District's total revenues decreased by \$180,782 or 7.44% to \$2,248,733 in the fiscal year ended June 30, 2022. The decrease in revenue was due mainly to a decrease in charges of services income of \$95,604, and non-operating income decrease of \$85,702 primarily from unrealized loss of investments. Total expenses increased by \$658,168. This increase is primarily due mainly to pension related adjustments.

CAPITAL ASSETS

FY2022/23 - As of June 30, 2023, the District's investment in capital assets totaled \$5,632,940, which is a net increase of \$367,917 or 6.99% over the capital asset balance of \$5,265,023 as of June 30, 2022. 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.

FY2021/22 - As of June 30, 2022, the District's investment in capital assets totaled \$5,265,023, which is a net increase of \$196,500 or 3.88% over the capital asset balance of \$5,068,523 as of June 30, 2021. 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, 2023 and 2022

LONG-TERM DEBT

FY2022/23 - As of June 30, 2023, the District had \$2,087,906 in outstanding debt due to the UMPQUA Bank. The loan provided funding for an upgrade of its wastewater treatment plant. Refer to the Note F to financial statements for greater details.

FY2021/22 - As of June 30, 2022, the District had \$2,107,600 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, 2023
(with year 2022 comparative totals)

	<u>WATER FUND</u> <u>2023</u>	<u>SEWER FUND</u> <u>2023</u>	<u>TOTAL</u> <u>2023</u>	<u>TOTAL</u> <u>2022</u>
Assets				
Current Assets				
Cash	\$ 803,248	\$ 1,069,316	\$ 1,872,564	\$ 2,072,044
Investment in Sonoma County pooled investment fund	759,059	202,127	961,186	942,703
Investment - Mutual Funds	618,330	139,614	757,944	717,931
Trade receivable	179,674	24,408	204,082	227,677
Other receivable	-	9,805	9,805	459,599
Inventory	5,250	-	5,250	8,243
Prepaid Expenses	5,053	-	5,053	5,341
Total Current Assets	<u>2,370,614</u>	<u>1,445,270</u>	<u>3,815,884</u>	<u>4,433,538</u>
Noncurrent Assets				
Capital assets (net of accumulated depreciation)				
Land	46,880	5,900	52,780	52,780
Utility plant	1,098,786	4,425,263	5,524,049	5,109,706
Tools and service equipment	41,170	14,941	56,111	102,537
Total Noncurrent Assets	<u>1,186,836</u>	<u>4,446,104</u>	<u>5,632,940</u>	<u>5,265,023</u>
Deferred Outflows of Resources				
Deferred Charges - Issuance Cost	-	76,000	76,000	-
Deferred Outflows of Resources	437,443	-	437,443	400,811
Total Deferred Outflows of Resources	<u>437,443</u>	<u>76,000</u>	<u>513,443</u>	<u>400,811</u>
Total Assets	<u>3,994,893</u>	<u>5,967,374</u>	<u>9,962,267</u>	<u>10,099,372</u>
Liabilities				
Current Liabilities				
Accounts payable and accrued expenses	121,160	33,394	154,554	161,027
Accrued interest payable to other governments	-	30,011	30,011	43,758
Loan Payable - Current	-	77,588	77,588	51,900
Due to Sewer Fund/water	-	-	-	449,794
Total Current Liabilities	<u>121,160</u>	<u>140,993</u>	<u>262,153</u>	<u>706,479</u>
Noncurrent Liabilities				
Compensated absences	42,884	-	42,884	44,489
Loan Payable - Non-current	-	2,010,318	2,010,318	2,055,700
Net Pension Liability	458,806	-	458,806	659,194
Total Noncurrent Liabilities	<u>501,690</u>	<u>2,010,318</u>	<u>2,512,008</u>	<u>2,759,383</u>
Deferred Inflows of Resources				
Deferred Inflows of Resources	650,322	-	650,322	576,599
Total Liabilities	<u>1,273,172</u>	<u>2,151,311</u>	<u>3,424,483</u>	<u>4,042,461</u>
Net Position				
Investment in capital assets, Net of related debt	1,186,836	2,358,198	3,545,034	3,157,423
Restricted for:				
Capital Outlay	649,612	-	649,612	649,612
Connection fees	790,212	458,451	1,248,663	1,199,487
Unrestricted	95,061	999,414	1,094,475	1,050,389
Total Net Position	<u>\$ 2,721,721</u>	<u>\$ 3,816,063</u>	<u>\$ 6,537,784</u>	<u>\$ 6,056,911</u>

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

FORESTVILLE WATER DISTRICT AND SEWER SERVICE ZONE
STATEMENT OF REVENUES EXPENSES AND CHANGE IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2023
(with year 2022 comparative totals)

	<u>WATER FUND 2023</u>	<u>SEWER FUND 2023</u>	<u>TOTAL 2023</u>	<u>TOTAL 2022</u>
Operating Revenues				
Charges for services	\$ 976,462	\$ 1,078,120	\$ 2,054,582	\$ 2,201,943
Connection fees	34,824	14,352	49,176	35,492
Total Operating Revenues	<u>1,011,286</u>	<u>1,092,472</u>	<u>2,103,758</u>	<u>2,237,435</u>
Operating Expenses				
Source of supply	355,658	-	355,658	363,569
Collection, treatment and disposal	-	643,609	643,609	619,003
Water transmission and distribution	355,014	-	355,014	692,221
Administrative and general	293,737	182,878	476,615	643,948
Depreciation and Amortization	62,356	255,552	317,908	276,218
Total Operating Expenses	<u>1,066,765</u>	<u>1,082,039</u>	<u>2,148,804</u>	<u>2,594,959</u>
Operating income (loss)	<u>(55,479)</u>	<u>10,433</u>	<u>(45,046)</u>	<u>(357,524)</u>
Nonoperating revenues (expense)				
Taxes and assessments	220,212	-	220,212	193,789
Grants and Misc. Income	11,824	303,392	315,216	13,639
Interest expense	-	(75,448)	(75,448)	(105,261)
Unrealized Gain (Loss)	(101,850)	(20,719)	(122,569)	(100,267)
Investment earnings	155,077	33,431	188,508	9,398
Total Nonoperating revenues (expense)	<u>285,263</u>	<u>240,656</u>	<u>525,919</u>	<u>11,298</u>
Net Income (loss) before transfer of capital	229,784	251,089	480,873	(346,226)
Net Position - Beginning of Year	<u>2,491,937</u>	<u>3,564,974</u>	<u>6,056,911</u>	<u>6,403,137</u>
Net Position - End of Year	<u>\$ 2,721,721</u>	<u>\$ 3,816,063</u>	<u>\$ 6,537,784</u>	<u>\$ 6,056,911</u>

FORESTVILLE WATER DISTRICT AND SEWER SERVICE ZONE

STATEMENT OF CASH FLOW
FOR THE YEAR ENDED JUNE 30, 2023
(with year 2022 comparative totals)

	<u>WATER FUND 2023</u>	<u>SEWER FUND 2023</u>	<u>TOTAL 2023</u>	<u>TOTAL 2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Receipts from Customers	\$ 1,441,863	\$ 1,019,271	\$ 2,461,134	\$ 2,371,463
Cash payments to suppliers for goods and services	(870,603)	(1,101,566)	(1,972,169)	(1,190,250)
Cash Payments to administration and general	<u>(293,737)</u>	<u>(182,878)</u>	<u>(476,615)</u>	<u>(616,555)</u>
Net Cash Provided (Used) by Operating Activities	<u>277,523</u>	<u>(265,173)</u>	<u>12,350</u>	<u>564,658</u>
CASH FLOWS FROM NON-CAPITAL ACTIVITIES:				
Grants received	11,824	303,392	315,216	13,639
Cash received from tax proceeds and assessments	<u>220,212</u>	<u>-</u>	<u>220,212</u>	<u>193,789</u>
Net Cash Provided (Used) by Non-Capital Activities	<u>232,036</u>	<u>303,392</u>	<u>535,428</u>	<u>207,428</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisitions of capital assets	(210,075)	(475,750)	(685,825)	(472,718)
Acquisitions of new loan	-	2,126,700	2,126,700	-
Principal payments - other governments	-	(2,146,394)	(2,146,394)	(57,700)
Interest payments - other governments	<u>-</u>	<u>(89,195)</u>	<u>(89,195)</u>	<u>(106,459)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(210,075)</u>	<u>(584,639)</u>	<u>(794,714)</u>	<u>(636,877)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Unrealized Loss on investments	(101,850)	(20,719)	(122,569)	(100,267)
Interest received on investments	<u>155,077</u>	<u>33,431</u>	<u>188,508</u>	<u>9,398</u>
Net Cash Provided (Used) by Investing Activities	<u>53,227</u>	<u>12,712</u>	<u>65,939</u>	<u>(90,869)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	352,711	(533,708)	(180,997)	44,340
CASH - BEGINNING OF YEAR	<u>1,209,596</u>	<u>1,805,151</u>	<u>3,014,747</u>	<u>2,970,407</u>
CASH - END OF YEAR	<u>\$ 1,562,307</u>	<u>\$ 1,271,443</u>	<u>\$ 2,833,750</u>	<u>\$ 3,014,747</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Net Operating Income	\$ (55,479)	\$ 10,433	\$ (45,046)	\$ (357,524)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:				
Depreciation	62,356	255,552	317,908	276,218
Change in Assets and Liabilities:				
Decrease (Increase) in trade receivables	13,470	10,125	23,595	68,015
Decrease (Increase) in other receivables	449,794	(76,000)	373,794	(446,086)
(Increase) Decrease in prepaid insurance	288	-	288	(237)
Decrease (Increase) in inventory	2,993	-	2,993	-
Decrease (Increase) in certification of deposits	(32,687)	(7,326)	(40,013)	96,544
(Decrease) Increase in accounts payable/accrued expenses	85	(8,163)	(8,078)	11,301
(Decrease) Increase in due to sewer funds	-	(449,794)	(449,794)	446,086
(Decrease) Increase in net pension liability	<u>(163,297)</u>	<u>-</u>	<u>(163,297)</u>	<u>470,341</u>
Net Cash Provided by (used for) Operating Activities	<u>\$ 277,523</u>	<u>\$ (265,173)</u>	<u>\$ 12,350</u>	<u>\$ 564,658</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 NET POSITION
ENTERPRISE FUNDS
JUNE 30, 2023 and 2022

Assets	2023	2022
Current Assets		
Cash	\$ 803,248	\$ 465,133
Investment in Sonoma County pooled investment fund	759,059	744,463
Investment - Mutual Funds	618,330	585,643
Trade receivable	179,674	193,144
Other receivable	-	449,794
Inventory	5,250	8,243
Prepaid Expenses	5,053	5,341
Total Current Assets	2,370,614	2,451,761
Noncurrent Assets		
Capital assets (net of accumulated depreciation)		
Land	46,880	46,880
Utility plant	1,098,786	907,686
Tools and service equipment	41,170	84,551
Total Noncurrent Assets	1,186,836	1,039,117
Deferred Outflows of Resources		
Deferred Outflows of Resources	437,443	400,811
Total Assets	3,994,893	3,891,689
Liabilities		
Current Liabilities		
Accounts payable and accrued expenses	121,160	119,470
Due to Sewer Fund	-	-
Total Current Liabilities	121,160	119,470
Noncurrent Liabilities		
Compensated absences	42,884	44,489
Net Pension Liability	458,806	659,194
Total Noncurrent Liabilities	501,690	703,683
Deferred Inflows of Resources		
Deferred Inflows of Resources	650,322	576,599
Total Liabilities	1,273,172	1,399,752
Net Position		
Investment in capital assets, Net of related debt	1,186,836	1,039,117
Restricted for:		
Capital Outlay	649,612	649,612
Connection fees	790,212	755,388
Unrestricted	95,061	47,820
Total Net Position	\$ 2,721,721	\$ 2,491,937

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, 2023 and 2022

	2023	2022
Operating Revenues		
Charges for services	\$ 976,462	\$ 1,021,098
Connection fees	34,824	31,112
	1,011,286	1,052,210
Operating Expenses		
Source of supply	355,658	363,569
Water transmission and distribution	355,014	692,221
Administrative general	293,737	506,295
Depreciation and Amortization	62,356	51,144
	1,066,765	1,613,229
Operating income (loss)	(55,479)	(561,019)
Nonoperating revenues (expense)		
Taxes and assessments	220,212	193,789
Grants/Misc.	11,824	3,230
Unrealized Gain (Loss)	(101,850)	(87,497)
Investment earnings	155,077	7,619
	285,263	117,141
Income (loss) before transfer of capital	229,784	(443,878)
Net Position - Beginning of Year	2,491,937	2,935,815
Net Position - End of Year	\$ 2,721,721	\$ 2,491,937

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, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Receipts from Customers	\$ 1,441,863	\$ 1,136,533
Cash payments to suppliers for goods and services	(870,603)	(977,174)
Cash Payments to administration and general	(293,737)	(478,902)
Net Cash Provided (Used) by Operating Activities	277,523	(319,543)
CASH FLOWS FROM NON-CAPITAL ACTIVITIES:		
Grants Received	11,824	3,230
Cash received from tax proceeds and assessments	220,212	193,789
Net Cash Provided (Used) by Non-Capital Activities	232,036	197,019
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisitions of capital assets	(210,075)	(138,769)
Net Cash Provided (Used) by Capital and Related Financing Activities	(210,075)	(138,769)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Unrealized Loss on investments	(101,850)	(87,497)
Interest received on investments	155,077	7,619
Net Cash Provided (Used) by Investing Activities	53,227	(79,878)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	352,711	(341,171)
CASH - BEGINNING OF YEAR	1,209,596	1,550,767
CASH - END OF YEAR	\$ 1,562,307	\$ 1,209,596
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Net Operating Income	\$ (55,479)	\$ (561,019)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:		
Depreciation	62,356	51,144
Change in Assets and Liabilities:		
Decrease (Increase) in Certificates of Deposit	(32,687)	84,322
Decrease (Increase) in receivables	463,264	(415,554)
Decrease (Increase) in prepaid insurance	288	(237)
Decrease (Increase) in inventory	2,993	-
(Decrease) Increase in accounts payable/accrued expenses	85	51,460
(Decrease) Increase in due to sewer funds	-	-
(Decrease) Increase in pension related	(163,297)	470,341
Net Cash Provided by (used for) Operating Activities	\$ 277,523	\$ (319,543)

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, 2023 and 2022

	2023	2022
Assets		
Current Assets		
Cash	\$ 1,069,316	\$ 1,606,911
Investment in Sonoma County pooled investment fund	202,127	198,240
Investment - Mutual Funds	139,614	132,288
Trade receivable	24,408	34,533
Other receivable	9,805	9,805
Total Current Assets	1,445,270	1,981,777
Noncurrent Assets		
Capital assets (net of accumulated depreciation)		
Land	5,900	5,900
Utility plant	4,425,263	4,202,020
Tools and Sewer Equipment	14,941	17,986
Total Noncurrent Assets	4,446,104	4,225,906
Other Assets		
Deferred Charges - Issuance Cost	76,000	-
Total Assets	5,967,374	6,207,683
Liabilities		
Current Liabilities		
Accounts payable and accrued expenses	33,394	41,557
Accrued interest payable to other governments	30,011	43,758
Loan Payable - Current	77,588	51,900
Due to Water Fund	-	449,794
Total Current Liabilities	140,993	587,009
Noncurrent Liabilities		
Loan Payable - Non-current	2,010,318	2,055,700
Total Noncurrent Liabilities	2,010,318	2,055,700
Total Liabilities	2,151,311	2,642,709
Net Position		
Investment in capital assets, Net of related debt	2,358,198	1,906,775
Restricted for:		
Connection fees	458,451	439,719
Unrestricted	999,414	1,218,480
Total Net Position	\$ 3,816,063	\$ 3,564,974

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, 2023 and 2022

	2023	2022
Operating Revenues		
Charges for services	\$ 1,078,120	\$ 1,180,845
Connection Fees	14,352	4,380
	1,092,472	1,185,225
Operating Expenses		
Collection, treatment and disposal	643,609	619,003
Administrative general	182,878	137,653
Depreciation and Amortization	255,552	225,074
	1,082,039	981,730
	10,433	203,495
Nonoperating revenues (expense)		
Reimbursements and Grants	303,392	10,409
Unrealized Gain (Loss)	(20,719)	(12,770)
Investment earnings	33,431	1,779
Interest expense	(75,448)	(105,261)
	240,656	(105,843)
Income (loss) before transfer of capital	251,089	97,652
Net Position - Beginning of Year	3,564,974	3,467,322
Net Position - End of Year	\$ 3,816,063	\$ 3,564,974

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

STATEMENT OF CASH FLOW
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Receipts from Customers	\$ 1,019,271	\$ 1,234,930
Cash payments to suppliers for goods and services	(1,101,566)	(213,076)
Cash Payments to administration & general	<u>(182,878)</u>	<u>(137,653)</u>
Net Cash Provided (Used) by Operating Activities	<u>(265,173)</u>	<u>884,201</u>
CASH FLOWS FROM NON-CAPITAL ACTIVITIES:		
Grants Received	<u>303,392</u>	<u>10,409</u>
Net Cash Provided (Used) by Non-Capital Activities	<u>303,392</u>	<u>10,409</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisitions of capital assets	(475,750)	(333,949)
Acquisitions of new loan	2,126,700	-
Principal payments - other governments	(2,146,394)	(57,700)
Interest payments - other governments	<u>(89,195)</u>	<u>(106,459)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(584,639)</u>	<u>(498,108)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Unrealized Loss on investments	(20,719)	(12,770)
Interest received on investments	<u>33,431</u>	<u>1,779</u>
Net Cash Provided (Used) by Investing Activities	<u>12,712</u>	<u>(10,991)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(533,708)	385,511
CASH - BEGINNING OF YEAR	<u>1,805,151</u>	<u>1,419,640</u>
CASH - END OF YEAR	<u>\$ 1,271,443</u>	<u>\$ 1,805,151</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Net Operating Income	\$ 10,433	\$ 203,495
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:		
Depreciation	255,552	225,074
Change in Assets and Liabilities:		
Decrease (Increase) in trade receivables	10,125	37,483
Decrease (Increase) in other receivables	(76,000)	-
Decrease (Increase) in Certificate of Deposit	(7,326)	12,222
(Decrease) Increase in accounts payable/accrued expenses	(8,163)	(40,159)
(Decrease) Increase in accounts due to Water Fund	<u>(449,794)</u>	<u>446,086</u>
Net Cash Provided by (used for) Operating Activities	<u>\$ (265,173)</u>	<u>\$ 884,201</u>

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

FORESTVILLE WATER DISTRICT AND SEWER SERVICE ZONE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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 (MD&A) - for State and Local Governments. The MD&A can be found on pages 3 through 8 of this audit report. Although, MD&A is not part of the basic financial statements. However, GASB has determined that MD&A is necessary to supplement 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 BASIC FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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 BASIC FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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, 2023, and 2022, 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 BASIC FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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, 2023. 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 BASIC FINANCIAL STATEMENTS
 JUNE 30, 2023 AND 2022

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 BASIC FINANCIAL STATEMENTS
 JUNE 30, 2023 AND 2022

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 repurchases 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:

	2023	2022
Cash	\$ 1,872,564	\$ 2,072,044
Investment in Sonoma County pooled investment fund	961,186	942,703
Investment in Mutual Funds	757,944	717,931
 Total	 \$ 3,591,694	 \$ 3,732,678

FORESTVILLE WATER DISTRICT AND SEWER SERVICE ZONE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

Note C. Cash and Investments (continued)

Statement of Net Position (continued)

As of June 30, 2023 and 2022, the District's investments consisted of \$961,186 and \$942,703, respectively, 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.

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, 2023, 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, 2023, 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 BASIC FINANCIAL STATEMENTS
 JUNE 30, 2023 AND 2022

Note C. Cash and Investments (continued)

Concentration of Credit Risk

At various times during the year ended June 30, 2023, 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, 2023, 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, 2023, consist of the following:

	Beginning Balance July 1, 2022	Additions	Retirements/ Adjustments	Ending Balance June 30, 2023
Capital assets, not being depreciated:				
Land	\$ 46,880	\$ -	\$ -	\$ 46,880
Total capital assets, not being depreciated	46,880	-	-	46,880
Capital assets, being depreciated:				
Utility plant	2,478,025	210,074	-	2,688,099
office equipment	88,253	-	-	88,253
Tools and service equipment	51,871	-	-	51,871
Transportation equipment	86,195	-	-	86,195
Total capital assets, being depreciated	2,704,344	210,074	-	2,914,418
Less accumulated depreciation for:				
Utility plant	1,539,025	50,288	-	1,589,313
Office equipment	47,017	5,964	-	52,981
Tools and service equipment	45,131	843	-	45,974
Transportation equipment	80,934	5,261	-	86,195
Total accumulated depreciation	1,712,107	62,356	-	1,774,463
Total capital assets, being depreciated, net	992,237	147,718	-	1,139,955
Capital assets, net	\$ 1,039,117	\$ 147,718	\$ -	\$ 1,186,835

Depreciation and amortization expense amounted to \$62,356 and \$51,144 for the fiscal years ended June 30, 2023 and 2022, respectively.

FORESTVILLE WATER DISTRICT AND SEWER SERVICE ZONE
NOTES TO BASIC FINANCIAL STATEMENTS
 JUNE 30, 2023 AND 2022

Note D. Capital Assets – Sewer (Continued)

Capital assets as of June 30, 2023 consist of the following:

	Beginning Balance July 1, 2022	Additions	Retirements/ Adjustments	Ending Balance June 30, 2023
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	9,858,919	475,751	-	10,334,670
office equipment	2,135	-	-	2,135
Tools and service equipment	33,496	-	-	33,496
Transportation equipment	-	-	-	-
Total capital assets, being depreciated	<u>9,894,550</u>	<u>475,751</u>	<u>-</u>	<u>10,370,301</u>
Less accumulated depreciation for:				
Utility plant	5,656,900	252,508	-	5,909,408
Office equipment	2,135	-	-	2,135
Tools and service equipment	15,510	3,044	-	18,554
Transportation equipment	-	-	-	-
Total accumulated depreciation	<u>5,674,545</u>	<u>255,552</u>	<u>-</u>	<u>5,930,097</u>
Total capital assets, being depreciated, net	<u>4,220,005</u>	<u>220,199</u>	<u>-</u>	<u>4,440,204</u>
Capital assets, net	<u>\$ 4,225,905</u>	<u>\$ 220,199</u>	<u>\$ -</u>	<u>\$ 4,446,104</u>

Depreciation and amortization expense amounted to \$255,552 and \$225,074 for the years ended June 30, 2023, and 2022, respectively.

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, 2023, there were no funds disbursed.

FORESTVILLE WATER DISTRICT AND SEWER SERVICE ZONE
NOTES TO BASIC FINANCIAL STATEMENTS
 JUNE 30, 2023 AND 2022

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, 2023, the District has refinanced the loan by paying off the remaining principal balance in the amount of \$2,046,700. The new loan is with UMPQUA bank in the amount of \$2,126,700, which included \$80,000 in issuance cost.

The loan with UMPQUA bank was dated as of August 01, 2022, currently calls for annual payments of approximately \$150,290 to \$159,000. The expected term is 19 years at annual interest rates ranging from 3.450% with the last payment scheduled for August 2041.

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,	Principal	Interest
2023	\$ 77,588	\$ 72,702
2024	80,597	69,999
2025	83,737	67,192
2026	87,002	64,274
2027	90,386	61,244
Thereafter	1,668,596	463,787
	\$ 2,087,906	\$ 799,198

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.

FORESTVILLE WATER DISTRICT AND SEWER SERVICE ZONE
NOTES TO BASIC FINANCIAL STATEMENTS
 JUNE 30, 2023 AND 2022

Note G. Employees' Retirement Plan (continued)

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ending June 30, 2022 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2021, with update procedures used to roll forward the total pension liability. For the fiscal years ended June 30, 2023, and 2022, the District total pension liability was based on the following actuarial methods and assumptions.

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions	
Discount Rate	6.90%
Inflation	2.30%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	6.90% Net of Pension Plan Investment and Administrative Expenses; includes Inflation
Post Retirement Benefit Increase	Contract COLA up to 2.30% 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, 2023, was 13.35%, plus a flat contribution in the amount of \$54,757 for the employer's payment of the unfunded liability. The PEPRA miscellaneous plan actuarial determined contribution rate for the year ended June 30, 2023, was 14.22%, plus a flat contribution in the amount of \$1,018 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 years ended June 30, 2023 and 2022, the District reported a liability of \$458,806 and \$659,194, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023 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.

FORESTVILLE WATER DISTRICT AND SEWER SERVICE ZONE
NOTES TO BASIC FINANCIAL STATEMENTS
 JUNE 30, 2023 AND 2022

Note G. Employees' Retirement Plan (continued)

Discount Rate

The discount rate used to measure the total pension liability was 6.90 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 6.90 percent discount rate is adequate, and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 6.90 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>
Global Equity- cap-weighted	30.0%	4.45%
Global Equity- non-cap-weighted	12.00	3.84
Private Equity	13.00	7.28
Treasury	5.00	0.27
Mortgage-backed Securities	5.00	0.50
Investment Grade Corporates	10.00	1.56
High Yield	5.00	2.27
Emerging Market Debt	5.00	2.48
Private Debt	5.00	3.57
Real Assets	15.00	3.21
Leverage	-5.00	-0.59

The following presents the net pension liability/(assets) of the Plan as of the measurement date, calculated using the discount rate of 6.90 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 (5.90 percent) or 1 percentage-point higher (7.90 percent) than the current rate:

	<u>Discount Rate - 1% (5.90%)</u>	<u>Current Discount Rate (6.90%)</u>	<u>Discount Rate + 1% (7.90%)</u>
Plan's Net Pension Liability/(Asset) - June 30, 2023	\$ 791,239	\$ 458,806	\$ 185,296
Plan's Net Pension Liability/(Asset) - June 30, 2022	\$ 658,312	\$ 659,194	\$ 411,918

FORESTVILLE WATER DISTRICT AND SEWER SERVICE ZONE
NOTES TO BASIC FINANCIAL STATEMENTS
 JUNE 30, 2023 AND 2022

Note G. Employees' Retirement Plan (continued)

As of June 30, 2023 and 2022, 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:

	FY23 Deferred Outflows of Resources	FY23 Deferred Inflows of Resources	FY22 Deferred Outflows/(Inflows) of Resources - Net
Difference between Expected and Actual Experience	\$ 9,214	\$ 6,171	\$ 73,922
Changes of Assumptions	47,014	-	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	84,041	-	(575,442)
Difference between Employer's Contribution and Proportionate Share of Contribution	62,051	515	49,622
Pension Contributions made Subsequent to Measurement Date	157,624	-	145,056
Changes in Employees Proportion	77,499	643,636	131,054
Total	\$ 437,443	\$ 650,322	\$ (175,788)

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
2024	29,078
2025	(151,583)
2026	(141,777)
2027	51,402
2028	0
Thereafter	0

FORESTVILLE WATER DISTRICT AND SEWER SERVICE ZONE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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.

Note I. Subsequent Events

The District has evaluated subsequent to June 30, 2023, to assess the need for potential recognition or disclosures in the financial statements. Such events were evaluated through November 29, 2023, the date these financial statements were available to be issued. Based upon this evaluation, it was determined that, no subsequent events occurred that require recognition or additional disclosures in the financial statements.

FORESTVILLE WATER DISTRICT AND SEWER SERVICE ZONE
Roster of Board Members

		<u>4-Year Term Expires</u>
1	Matthew McDermott - Board Chair	December 2026
2	Ben Monroe - Vice Chair	December 2024
3	Steve Griffith	December 2024
4	Ryan Stapleton	December 2026
5	Brad Stuart	December 2026

The audit of the Forestville Water District and Sewer Service Zone as of and for the year ended June 30, 2023, was authorized by the Board of Directors of the District.