

LINDEN COUNTY WATER DISTRICT

FINANCIAL REPORT

June 30, 2019

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INDEPENDENT AUDITOR'S REPORT

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

I have audited the accompanying financial statements of Linden County Water District, which comprise the statement of net position – proprietary fund as of June 30, 2019 and the related statement of revenues, expenses and changes in net position – proprietary fund and statement of cash flows – proprietary fund for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Linden County Water District as of June 30, 2019, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion on pages 2 & 3 be presented to supplement the financial statements. Such information, although not part of the basis financial statements, is required by the Governmental Accounting Standards Board, who consider it to be an essential part of financial reporting for placing the basis financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Stockton, California
February 20, 2020

LINDEN COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

Years Ended June 30, 2019

The Linden County Water District operates a utility enterprise (water & sewer) and presents its financial statements using economic resources measurement focus and the full accrual basis of accounting. As an enterprise fund, the District's basic financial statements include a statement of net position, a statement of revenues, expenses and changes in net position, and statement of cash flows. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

The following condensed financial information provides an overview of Linden County Water District's financial activities for the fiscal year ended June 30, 2018 and 2019.

	Balance June 30, 2018	Balance June 30, 2019
ASSETS		
Current assets	\$ 1,704,178	\$ 1,980,559
Other assets	410,336	416,962
Capital assets	2,561,208	2,593,479
Total assets	\$ 4,675,722	\$ 4,991,000
LIABILITIES		
Current liabilities	\$ 24,724	\$ 23,621
Long-term liabilities	-	-
Total liabilities	\$ 24,724	\$ 23,621
Net Assets		
Net capital assets	\$ 2,561,208	\$ 2,593,479
Other net assets	2,089,790	2,373,900
Total net assets	\$ 4,650,998	\$ 4,967,379
Total operating revenues	\$ 805,739	\$ 829,211
Total operating expenses	635,978	638,529
Operating income (loss)	169,761	190,682
Non-operating revenues net of non-operating expenses	104,487	125,641
Change in net assets	\$ 274,248	\$ 316,323
Beginning net assets	4,376,750	4,650,998
Ending net assets	\$ 4,650,998	\$ 4,967,321

LINDEN COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

Years Ended June 30, 2019

Current assets increased \$276,381 or 16% over last year as a result of an increase in cash & investments.

Other assets increased \$6,626 or 2% over last year

Net capital assets increased \$32,271 or 1% due to current year additions less current year depreciation.

The District's net position at June 30, 2019 were \$4,967,379 which is an increase of \$316,323 from June 30, 2018.

Analytical review of revenues. The main source of revenue for Linden County Water District are water sales, sewer fees and property tax revenue. The District's source of water is groundwater. 54% of the District's current year operating revenue is from water sales while 46% is from sewer fees. Water sales accounted for 53% of the operating revenue in the prior year.

Analytical review of expenses. 41% of the District's operating expenses in the current fiscal year were for salaries, payroll taxes and employee benefits. That amount was 39% in the prior fiscal year. The total operating expenses in the current year was \$638,529 which was an increase of 1% from last year.

Management's Comments Regarding Next Year's Budget and Operations.

The District has budgeted for additional capital asset improvements during the 2019-2020 year.

LINDEN COUNTY WATER DISTRICT
STATEMENT OF NET POSITION - PROPRIETARY FUND
June 30, 2019

ASSETS	
Current assets	
Cash in bank (Note 3)	\$ 70,634
Investments with fiscal agent (Note 3)	1,840,269
Accounts receivable (Note 4)	<u>69,656</u>
	<u>\$ 1,980,559</u>
Other assets	
Restricted investments with fiscal agent (Note 3)	\$ 372,424
Board assigned investments with fiscal agent (Note 3)	<u>44,538</u>
	<u>\$ 416,962</u>
Capital assets, net	<u>\$ 2,593,479</u>
	<u><u>\$ 4,991,000</u></u>
 LIABILITIES AND NET ASSETS	
Current liabilities	
Accounts payable	\$ 20,020
Accrued expenses	<u>3,659</u>
	<u>\$ 23,679</u>
 Net Assets	
Invested in capital assets, net	\$ 2,593,479
Restricted investments with fiscal agent (Note 3)	416,962
Assigned for future capital improvements	1,318,351
Unrestricted	<u>638,529</u>
	<u>\$ 4,967,321</u>
	<u><u>\$ 4,991,000</u></u>

See Notes to Financial Statements.

LINDEN COUNTY WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -
PROPRIETARY FUND
Year Ended June 30, 2019

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Operating revenues			
Charges for services	\$ 444,946	\$ 384,265	\$ 829,211
 Operating expenses			
Salaries	\$ 96,676	\$ 83,491	\$ 180,167
Utilities	58,028	33,057	91,085
Professional and special services	32,753	39,573	72,326
Employee benefits	37,566	32,442	70,008
Repairs and maintenance	41,936	29,168	71,104
Insurance	11,121	9,605	20,726
Office supplies, postage & printing	6,892	5,953	12,845
Payroll taxes	7,365	6,360	13,725
Testing services	3,435	8,639	12,074
Weed Control	-	3,160	3,160
Depreciation expense	48,269	43,040	91,309
 Total operating expenses	<u>\$ 344,041</u>	<u>\$ 294,488</u>	<u>\$ 638,529</u>
 Operating income	<u>\$ 100,905</u>	<u>\$ 89,777</u>	<u>\$ 190,682</u>
 Non-operating revenue (expense)			
Property tax	\$ 46,770	\$ 40,392	\$ 87,162
Interest income	20,162	18,317	38,479
 Non-operating revenue (expenses)	<u>\$ 66,932</u>	<u>\$ 58,709</u>	<u>\$ 125,641</u>
 Change in net position	<u>\$ 167,837</u>	<u>\$ 148,486</u>	<u>\$ 316,323</u>
 Total net position, beginning			<u>4,650,998</u>
Total net position, ending			<u>\$ 4,967,321</u>

See Notes to Financial Statements.

LINDEN COUNTY WATER DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
Year Ended June 30, 2019

Cash flows from operating activities		
Cash received from customers	\$	838,095
Cash paid to suppliers		(303,291)
Cash paid to employees		(245,470)
		<hr/>
Net cash provided by (used in) operating activities	\$	289,334
Cash flows from capital and related financing activities		
Purchase of capital assets	\$	(123,084)
Interest paid		-
		<hr/>
Net cash used in capital and financing activities	\$	(123,084)
Cash flows from non-capital and related financing activities		
Property taxes collected	\$	87,162
Interest income		38,479
		<hr/>
Net cash provided by non-capital and financing activities	\$	125,641
Net increase (decrease) in cash and investments	\$	291,891
Cash and investments:		
Beginning		<hr/> 2,035,974
Cash in bank	\$	70,634
Investments with fiscal agent		1,840,269
Restricted investments with fiscal agent		372,424
Board assigned investments		44,538
		<hr/>
Ending	\$	2,327,865
Cash flows from operating activities		
Net income (loss) from operations	\$	190,682
Adjustments to reconcile operating income to net cash provided by operating activities		
Changes in assets and liabilities		
Depreciation		91,309
(Increase) Decrease in accounts receivable		8,884
Increase (Decrease) in accounts payable		(1,510)
Increase (Decrease) in accrued expenses		407
		<hr/>
Net cash provided by (used in) operating activities	\$	289,772

See Notes to Financial Statements.

LINDEN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 1 - Nature of Business and Significant Accounting Policies

A summary of significant accounting policies applied in the preparation of the financial statements follows.

Reporting entity

The District was organized by the electors residing in Linden, California, County of San Joaquin, for the purpose of providing water and sewage services to the Linden area residents.

Reporting entity

The District management considered all potential component units for inclusion in the reporting entity by applying the criteria set forth in generally accepted accounting principles. The District concluded that there are no potential component units which should be included in the reporting entity.

Basis of accounting

The financial statements are prepared on the accrual basis of accounting and have been prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB).

Proprietary Fund

The District utilizes a proprietary fund to account for its activities, which are similar to those found in the private sector, where the determination of the change in net assets is necessary or useful for sound financial administration. The District distinguishes between operating revenue and expenses from non-operating items. Operating revenues and expenses generally result from services in connections with the District's principal ongoing operations including charges to customers, service costs, administrative expenses, and depreciation. Items not meeting this definition are reported as non-operating.

Budgetary accounting

The District does not adopt an appropriated budget and is not required to adopt such a budget by law. However, the District does adopt a non-appropriated budget annually which is approved by the Board of Directors.

Cash and Investments

For the purpose of the statement of cash flows, cash and cash equivalents includes all pooled cash investments with a maturity of three months or less when purchased to be cash equivalents. The District considers the investments held by the County of San Joaquin to be a demand deposit where funds may be withdrawn and deposited at any time without prior notice or penalty. The County is authorized to invest in a list of eligible investments. All of the District's investments are measured using level 1 inputs. The District has no investment policy for interest rate risk.

LINDEN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 1 - Nature of Business and Significant Accounting Policies (continued)

Property taxes

Property taxes were assessed July 1, 2018 and levied March 1, 2019 and were payable in two installments on December 10, 2018 and April 10, 2019. The County of San Joaquin bills and collects property taxes on behalf of the District. Property tax revenues are recognized when received.

Capital Assets

Certain assets are reported at estimated cost as detailed records were not maintained in the past. The District currently records acquisitions of property, plant and equipment at cost. Contributed assets are recorded at the estimated fair market value at the date of donation.

Operations of the District are accounted for as an enterprise fund. Accordingly, generally accepted accounting principles require the recording of depreciation on property, plant and equipment. The district has recorded depreciation on such assets.

Net Position

Net invested in capital assets includes all groups of capital assets. Restricted net position presents external restrictions imposed by outsiders. Assigned include amounts intended to be used for specific purposes.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent 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.

Subsequent Events

Subsequent events have been evaluated through the date the financial statements were available to be issued, which was February 20, 2020.

Note 2 - Special District Risk Management Authority

The district is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; and injuries to employees. Consequently, the District joined together with other special districts in the State of California and participates in a public entity risk pool entitled Special Districts Risk Management Authority (SDRMA). SDRMA operates as a common risk management and insurance program for approximately 400 member districts. The Districts pays an annual premium to SDRMA for its general insurance coverage. SDRMA is self-funded for a portion of claims through member premiums and reinsures through commercial companies for larger claims. SDRMA is also the District's worker's comp. carrier.

The District continues to carry commercial insurance for all other risks of loss, including workers' compensation and employee health insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past five fiscal years.

LINDEN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 3- Cash and Investments

Cash on deposit in a commercial account is insured by the FDIC. Cash on deposit with the San Joaquin County Treasurer is invested in a pooled fund maintained by the Treasurer. These funds are pooled with other County deposits for investment purposes by the County Treasurer. The County Treasurer is responsible for the control and safekeeping of all instruments of title for all investments of the funds. Interest received on investments is prorated to individual funds based on their daily average cash balances. Restricted assets represent cash held in trust that is not available for normal operating purposes. Collateral is required for demand deposits at 110% of all deposits not covered by Federal deposit insurance.

	Carrying Amount	Bank Balance
Cash and investments are summarized as follows:		
Current		
Cash in bank (uncollateralized FDIC insured)	\$ 70,634	\$ 70,634
Investment with fiscal agent, S. J. County (same as market value)		
Water & Sewer	\$ 1,736,954	
Capital outlay reserve	103,315	
	\$ 1,840,269	
Restricted investments with fiscal agent (same as market value)		
Debt service	\$ 4,504	
Zone 1	3,710	
Flor Ranch sewer	364,210	
	\$ 372,424	
Board assigned		
Investments with fiscal agent (same as market value)		
Linden Terrace trust	\$ 44,538	
	\$ 2,327,865	

Note 4 - Accounts Receivable

Accounts receivable are stated at their realizable value as of June 30, 2019. It is management's opinion that an allowance for doubtful accounts is not required.

Most of the Districts business activity is with customers within the Township of Linden. As of June 30, 2019, the Districts' receivables from residential and commercial customers were \$69,656.

LINDEN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 5 - Capital Assets

	<u>Balance</u>			<u>Balance</u>
	June 30, 2018	<u>Additions</u>	<u>Deletions</u>	June 30, 2019
Water				
Automotive equipment	\$ 26,826	\$ -	\$ -	\$ 26,826
Other equipment	80,847	-	-	80,847
Water system	<u>2,046,690</u>	<u>66,861</u>	-	<u>2,113,551</u>
	<u>\$ 2,154,363</u>	<u>\$ 66,861</u>	<u>\$ -</u>	<u>\$ 2,221,224</u>
Sewer				
Land - treatment & station site	\$ 551,734	\$ -	\$ -	\$ 551,734
Sewer system facility	2,020,682	56,223	-	2,076,905
Automotive equipment	38,676	-	-	38,676
Other equipment	<u>79,945</u>	<u>-</u>	<u>-</u>	<u>79,945</u>
	<u>\$ 2,691,037</u>	<u>\$ 56,223</u>	<u>\$ -</u>	<u>\$ 2,747,260</u>
	<u>\$ 4,845,400</u>	<u>\$ 123,084</u>	<u>\$ -</u>	<u>\$ 4,968,484</u>
Accumulated depreciation prior years				(2,283,696)
Accumulated depreciation current year				<u>(91,309)</u>
				<u>\$ 2,593,479</u>

Note 7 - Retirement Plan

The District funds a retirement pension plan (401A) for eligible employees. The total amount required to be funded for the current year was \$11,732.