

CONGRESS VALLEY WATER DISTRICT
BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2018 and 2017

TABLE OF CONTENTS

Independent Auditor's Report	2-3
Statement of Net Position – June 30, 2018	4
– June 30, 2017	5
Statement of Activities and Changes in Net position – for the Fiscal Year ended June 30, 2018	6
– for the Fiscal Year ended June 30, 2017	7
Statement of Cash Flows – Increase (Decrease) in	
Cash in Treasury and Cash Equivalents – for the Fiscal Year ended June 30, 2018	8
– for the Fiscal Year ended June 30, 2017	9
Notes to the Financial Statements	10-15

Charles W. Pillon, C.P.A.

CERTIFIED PUBLIC ACCOUNTANT

4685 Pleasant Hills Dr.

Anderson, CA 96007

Telephone (530) 949-4177

Fax (360) 287-2647

Email: charlie@charlespilloncpa.com

INDEPENDENT AUDITOR'S REPORT

District's Board of Directors
Congress Valley Water District
Napa, California

I have audited the accompanying financial statements of the business-type activities and each major fund of Congress Valley Water District as of and for the fiscal years then ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions 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 opinions.

Opinions

In my opinions the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of Congress Valley Water District as of June 30, 2018 and 2017, and the respective changes in financial position and cash flows thereof for the years then ended in conformity 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 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. Management has omitted the Management's Discussion and Analysis (MD&A), which the Governmental Accounting Standards Board has determined is required supplementary information, although not required to be part of the basic financial statements. My opinion is not changed because of this omitted information.

Charles W. Pillon, CPA

Charles W. Pillon, CPA

April 8, 2019

CONGRESS VALLEY WATER DISTRICT
Statement of Net Position
June 30, 2018

	Business-type Activities		Total
	Enterprise Fund		
	General Operating	Accumulated Capital Outlay	
ASSETS			
Current assets:			
Cash in treasury	\$ 1,111,166	\$ -	\$ 1,111,166
Taxes receivable	21,447	-	21,447
Prepaid insurance	1,396	-	1,396
Cash in treasury - restricted for debt service	33,053	-	33,053
Total current assets	<u>1,167,062</u>	<u>-</u>	<u>1,167,062</u>
Noncurrent assets:			
Other capital assets, net of depreciation	225,259	-	225,259
Total noncurrent assets	<u>225,259</u>	<u>-</u>	<u>225,259</u>
Total Assets	<u>\$ 1,392,321</u>	<u>\$ -</u>	<u>\$ 1,392,321</u>
LIABILITIES			
Current liabilities:			
Accounts Payable	\$ 281,535	\$ -	\$ 281,535
Loan interest payable	91	-	91
Total current liabilities	<u>281,626</u>	<u>-</u>	<u>281,626</u>
Noncurrent liabilities:			
Due within one year	10,905	-	10,905
Total noncurrent liabilities	<u>10,905</u>	<u>-</u>	<u>10,905</u>
Total liabilities	<u>292,531</u>	<u>-</u>	<u>292,531</u>
NET POSITION			
Investment in capital assets, net of related debt	214,354	-	214,354
Restricted for:			
Contributed Capital:			
City of Napa	28,112	-	28,112
State of California	96,416	-	96,416
Principal reserve	22,148	-	22,148
Debt service	10,905	-	10,905
Unrestricted	<u>727,855</u>	<u>-</u>	<u>727,855</u>
Total net position	<u>\$ 1,099,790</u>	<u>\$ -</u>	<u>\$ 1,099,790</u>

CONGRESS VALLEY WATER DISTRICT
Statement of Net Position
June 30, 2017

	Business-type Activities		Total
	General Operating	Accumulated Capital Outlay	
ASSETS			
Current assets:			
Cash in treasury	\$ 880,721	\$ 226,412	\$ 1,107,133
Taxes receivable	7,981	-	7,981
Prepaid insurance	1,396	-	1,396
Cash in treasury - restricted for debt service	43,418	-	43,418
Total current assets	<u>933,516</u>	<u>226,412</u>	<u>1,159,928</u>
Noncurrent assets:			
Other capital assets, net of depreciation	248,201	-	248,201
Loan administration cost	536	-	536
Total noncurrent assets	<u>248,737</u>	<u>-</u>	<u>248,737</u>
Total Assets	<u>\$ 1,182,253</u>	<u>\$ 226,412</u>	<u>\$ 1,408,665</u>
LIABILITIES			
Current liabilities:			
Accounts Payable	\$ 100	\$ -	\$ 100
Loan interest payable	267	-	267
Total current liabilities	<u>367</u>	<u>-</u>	<u>367</u>
Noncurrent liabilities:			
Due within one year	21,270	-	21,270
Due in more than one year	10,905	-	10,905
Total noncurrent liabilities	<u>32,175</u>	<u>-</u>	<u>32,175</u>
Total liabilities	<u>32,542</u>	<u>-</u>	<u>32,542</u>
NET POSITION			
Investment in capital assets, net of related debt	216,026	-	216,026
Restricted for:			
Contributed Capital:			
City of Napa	30,923	-	30,923
State of California	106,058	-	106,058
Principal reserve	22,148	-	22,148
Debt service	21,270	-	21,270
Unrestricted	<u>753,286</u>	<u>-</u>	<u>753,286</u>
Total net position	<u>\$ 1,149,711</u>	<u>\$ -</u>	<u>\$ 1,149,711</u>

CONGRESS VALLEY WATER DISTRICT
Statement of Activities and Changes in Net Position
For the Fiscal Year Ended June 30, 2018

	Business-type Activities		Total
	General Operating	Accumulated Capital Outlay	
EXPENSES			
Professional services - Engineer	\$ 4,832	\$ -	\$ 4,832
Professional services - Legal	68,830	-	68,830
Professional services - Directors' compensation	6,500	-	6,500
Professional services - Board secretary	16,255	-	16,255
Professional services - Accounting/Audit	1,871	-	1,871
Professional services - Other	816	-	816
Cost of water	13,089	-	13,089
Insurance	2,312	-	2,312
Interest	737	-	737
Depreciation	22,942	-	22,942
Loan administration cost	536	-	536
Other	1,098	-	1,098
	<u>139,818</u>	<u>-</u>	<u>139,818</u>
Total expenses			
OPERATING REVENUES			
Hookups, net of refunds	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total operating revenues			
Net operating loss	139,818	-	139,818
NONOPERATING REVENUES			
Property taxes	110,412	-	110,412
Interest	11,793	-	11,793
Donations	3,500	-	3,500
	<u>125,705</u>	<u>-</u>	<u>125,705</u>
Total nonoperating revenue			
OTHER FINANCING SOURCES (USES)			
Customer rebates	(262,220)	-	(262,220)
Transfers in (out)	226,412	(226,412)	-
	<u>(35,808)</u>	<u>(226,412)</u>	<u>(262,220)</u>
Total other financing (uses)			
Change in net position	(49,921)	(226,412)	(276,333)
Net position - beginning of year	1,149,711	226,412	1,376,123
Net position - end of year	<u>\$ 1,099,790</u>	<u>\$ -</u>	<u>\$ 1,099,790</u>

CONGRESS VALLEY WATER DISTRICT
Statement of Activities and Changes in Net Position
For the Fiscal Year Ended June 30, 2017

	<u>Business-type Activities</u>		<u>Total</u>
	<u>Enterprise Fund</u>		
	<u>General Operating</u>	<u>Accumulated Capital Outlay</u>	
EXPENSES			
Professional services - Legal	\$ 23,477	\$ -	\$ 23,477
Professional services - Directors' compensation	3,500	-	3,500
Professional services - Board secretary	6,120	-	6,120
Professional services - Accounting/Audit	6,013	-	6,013
Insurance	2,314	-	2,314
Interest	1,425	-	1,425
Depreciation	22,942	-	22,942
Loan administration cost	536	-	536
Other	713	-	713
	<u>67,040</u>	<u>-</u>	<u>67,040</u>
Total expenses			
	<u>67,040</u>	<u>-</u>	<u>67,040</u>
OPERATING REVENUES			
Hookups, net of refunds	7,683	-	7,683
	<u>7,683</u>	<u>-</u>	<u>7,683</u>
Total operating revenues			
	<u>7,683</u>	<u>-</u>	<u>7,683</u>
Net operating loss	<u>59,357</u>	<u>-</u>	<u>59,357</u>
NONOPERATING REVENUES			
Property taxes	81,576	-	81,576
Interest	7,568	-	7,568
	<u>89,144</u>	<u>-</u>	<u>89,144</u>
Total nonoperating revenue			
	<u>89,144</u>	<u>-</u>	<u>89,144</u>
Change in net position	29,787	-	29,787
Net position - beginning of year	1,119,924	226,412	1,346,336
Net position - end of year	<u>\$ 1,149,711</u>	<u>\$ 226,412</u>	<u>\$ 1,376,123</u>

CONGRESS VALLEY WATER DISTRICT
Statement of Cash Flows - Increase (Decrease) in Cash in Treasury and Cash Equivalents
For the Fiscal Year Ended June 30, 2018

	Business-type Activities		Total
	Enterprise Fund		
	General Operating	Accumulated Capital Outlay	
Cash flows from operating activities:			
Cash received from customers	\$ -	\$ -	\$ -
Cash paid to suppliers for goods and services	(96,388)	-	(96,388)
Net cash provided (used) by operating activities	(96,388)	-	(96,388)
Cash flows from noncapital financing activities:			
County tax receipts	96,946	-	96,946
Donations	3,500	-	3,500
Operating transfers in (out)	226,412	(226,412)	-
Net cash provided (used) by noncapital financing activities	326,858	(226,412)	100,446
Cash flows from capital and related financing activities:			
Interest expense	(913)	-	(913)
Loan principal repayments	(21,270)	-	(21,270)
Net cash provided (used) by capital and related financing activities	(22,183)	-	(22,183)
Cash flows from investing activities:			
Interest received	11,793	-	11,793
Net cash provided from investing activities	11,793	-	11,793
Net increase (decrease) in cash and cash equivalents	220,080	(226,412)	(6,332)
Cash in treasury and cash equivalents at beginning of year	924,139	226,412	1,150,551
Cash in treasury and cash equivalents at end of year	\$ 1,144,219	\$ -	\$ 1,144,219
Comprised of:			
Cash in treasury - unrestricted	\$ 1,111,166	\$ -	\$ 1,111,166
Cash in treasury - restricted debt service	33,053	-	33,053
Total cash in treasury	\$ 1,144,219	\$ -	\$ 1,144,219
Reconciliation of operating (loss) to net cash provided by operating activities:			
Operating (loss):	\$ (139,818)	\$ -	\$ (139,818)
Adjustments to reconcile operating (loss) to net cash provided (used) by operating activities:			
Depreciation expense	22,942	-	22,942
Interest expense	737	-	737
Decrease in loan administration cost	536	-	536
Increase (decrease) in accounts payable	19,215	-	19,215
Total adjustments	43,430	-	43,430
Net cash provided (used) by operating activities	\$ (96,388)	\$ -	\$ (96,388)

CONGRESS VALLEY WATER DISTRICT
Statement of Cash Flows - Increase (Decrease) in Cash in Treasury and Cash Equivalents
For the Fiscal Year Ended June 30, 2017

	Business-type Activities		Total
	Enterprise Fund		
	General Operating	Accumulated Capital Outlay	
Cash flows from operating activities:			
Cash received from customers	\$ 7,683	\$ -	\$ 7,683
Cash paid to suppliers for goods and services	(42,801)	-	(42,801)
Net cash provided (used) by operating activities	(35,118)	-	(35,118)
Cash flows from noncapital financing activities:			
County tax receipts	83,733	-	83,733
Net cash provided (used) by noncapital financing activities	83,733	-	83,733
Cash flows from capital and related financing activities:			
Interest expense	(1,604)	-	(1,604)
Loan principal repayments	(20,575)	-	(20,575)
Net cash provided (used) by capital and related financing activities	(22,179)	-	(22,179)
Cash flows from investing activities:			
Interest received	7,568	-	7,568
Net cash provided from investing activities	7,568	-	7,568
Net increase (decrease) in cash and cash equivalents	34,004	-	34,004
Cash in treasury and cash equivalents at beginning of year	890,135	226,412	1,116,547
Cash in treasury and cash equivalents at end of year	\$ 924,139	\$ 226,412	\$ 1,150,551
Comprised of:			
Cash in treasury - unrestricted	\$ 880,721	\$ 226,412	\$ 1,107,133
Cash in treasury - restricted debt service	43,418	-	43,418
Total cash in treasury	\$ 924,139	\$ 226,412	\$ 1,150,551
Reconciliation of operating (loss) to net cash provided by operating activities:			
Operating (loss):	\$ (59,357)	\$ -	\$ (59,357)
Adjustments to reconcile operating (loss) to net cash provided (used) by operating activities:			
Depreciation expense	22,942	-	22,942
Interest expense	1,425	-	1,425
Decrease in loan administration cost	536	-	536
Increase (decrease) in accounts payable	(664)	-	(664)
Total adjustments	24,239	-	24,239
Net cash provided (used) by operating activities	\$ (35,118)	\$ -	\$ (35,118)

**CONGRESS VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 and 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

The Congress Valley Water District was formed on December 7, 1949 under the provisions of the County Water District Act Statutes of 1913, Chapter 592, as amended. The District's name was changed on April 14, 1984 from Congress County Water District to Congress Valley Water District. The District is located in the southwestern portion of Napa County, and its function is to furnish domestic water distribution from the City of Napa water system to District residents. The Board of Directors assumes managerial duties of the District. The basic operations of the District are financed by property taxes received from the County of Napa.

No operations of other entities met the aforementioned oversight criteria for inclusion or exclusion from the accompanying basic financial statements in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, as amended by GASB Statement No. 39.

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

The accounting and reporting policies of the District relating to the funds and account groups included in the accompanying basic financial statements conform in all material respects to generally accepted accounting principles as well as accounting systems prescribed by the State Controller and state regulations governing special districts.

The following significant accounting policies were applied in the preparation of the accompanying financial statements:

A. Reporting Entity

The District's basic financial statements include the accounts of all District operations. The criteria for including organizations as component units within the District's reporting entity, as set forth in Section 2100 of the Government Accounting Standards Board's (GASB) Codification of Government Accounting and Financial Reporting Standards, include whether:

- The organization is legally separate
- The District holds the corporate powers of the organization
- The District appoints a voting majority of the organization's board
- The District is able to impose its will on the organization
- The organization has the potential to impose a financial benefit/burden on the District
- There is fiscal dependency by the organization on the District

Based on the aforementioned criteria, the District has no component units.

B. Fund Financial and Government -Wide Statements

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, revenues and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The District uses the proprietary fund type (Enterprise Fund) to account for the operations of the District. The accounting is similar to that found in the private sector, where the determination of net income is necessary or useful to sound financial administration.

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on the District activities as a whole. For the most part, the effect of interfund activity has been removed from these statements.

**CONGRESS VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 and 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Taxes and other items not properly included among program revenues are reported instead as non-operating revenues.

C. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Enterprise Fund is accounted for on a flow of economic resources measurements focus and uses the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. With this measurement focus, all assets and liabilities associated with the operation of this fund are included on the balance sheet. Fund balance (i.e. net position) is segregated into restricted and unrestricted components. Proprietary fund-type operating statements present increases (e.g. revenues) and decreases (e.g. expenses) in net position.

“Measurable” means the amount of the transaction can be determined and “available” means collectable within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers property taxes as available if they are collected within 60 days after year end. A 90-day availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred. Those revenues susceptible to accrual are property taxes, interest revenue and charges for services, when applicable.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Non-operating revenues include all taxes and interest income to the District.

Net position is reported as restricted when constraints placed on net position use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through enabling legislation.

When both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first, then unrestricted resources as they are needed.

Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 20 *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, all Financial Accounting Standards Board (FASB) statements and authoritative pronouncements issued before November 30, 1989 are applied to proprietary operations unless they conflict with GASB pronouncements. The District has elected not to apply FASB statements subsequent to November 30, 1989.

D. Budgets and Budgetary Accounting

Under Sec. 53065 of the Government Code, districts whose governing body is the county Board of Supervisors, or for which the county fiscal officers are ex officio officers of the district, are subject to the budget provisions of the Government Code Sections 29000-29143, which include a requirement that a budgetary accounting system be used. Since an annual budget is legally adopted, budgetary amounts are presented in conformity with Statement 1 of the National Council on Governmental Accounting. This sometimes results in substantial variances from budget when financial statements are presented in accordance with generally accepted accounting principles.

**CONGRESS VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 and 2017**

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The District's Governing Board must approve a tentative budget no later than June 30, and adopted a budget no later than September 30, of the new fiscal year. A public hearing must be conducted to receive comments prior to adoption. The District's Governing Board satisfied these requirements. The District revises the budget during the year to give conditions to unanticipated income and expenditures.

E. Cash and Cash Equivalents

The cash and cash equivalents reported on the balance sheets and cash flow statements include cash with County Treasurer and "County Treasurer restricted for debt service". For purposes of the statement of cash flows, the Enterprise Fund considers the "County Treasurer restricted for debt service" to be cash equivalents. The Napa County Treasury is an external investment pool for the District and the District is considered an involuntary participant. State statutes authorize the District and County to invest its cash surplus in obligations of the U.S. Treasury, agencies, and instrumentalities, corporate bonds, medium term notes, bankers' acceptances, certificates of deposit, commercial paper, repurchase agreements, and the State of California Local Agency Investment Fund.

Participant's equity in the investment pool is determined by the dollar amount of participant's deposits, adjusted for withdrawals and distributed investment income. Investment income is determined on the amortized cost basis. Amortized premiums and accreted discounts, accrued interest and realized gains and losses, net of expenses, are apportioned to pool participants every quarter based on the participant's average daily cash balance at quarter end in relation to the total pool investments. This method differs from the fair value method used to value investments in these financial statements. In these financial statements, the fair value of the District's investments in the pool was based on unaudited quoted market values as provided by the County Treasurer. The pool has not provided or obtained any legally binding guarantees during the period to support the value of investments.

The County has established a treasury oversight committee to monitor and review the management of public funds maintained in the investment pool in accordance with Article 6 Section 27131 of the California Government Code. The oversight committee and the Board of Supervisors review and approve the investment policy annually. The County Treasurer prepares and submits a comprehensive investment report to the members of the oversight committee and the investment pool participants every month. The report covers the type of investments in the pool, maturity dates, par value, actual cost and fair value.

F. Capital Assets

Capital assets are valued at cost where historical records are available and at estimated historical cost where no historical records exist. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extends the useful are not capitalized. Donated capital assets are recorded at market value on the date donated. The district capitalizes assets with an original cost or donated fair market of \$5,000 or more. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Depreciation is computed over 10-40 years for buildings and water distribution assets (utility plant) and 5-15 years for equipment, using the straight-line method.

G. Loan Administration Costs

Loan administration costs are deferred and depreciated over the 30-year term of the loan using the straight-line method.

H. Net Position

Net position is the difference between assets and liabilities. Net position invested in capital assets is capital assets, less accumulated depreciation and any outstanding debt related to the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are legal limitations imposed on their use by District legislation or external restrictions by other governments, creditors or grantors. A portion of Cash in Treasury in the General Operating Fund is restricted in an amount equal to the loans payable due within one year.

**CONGRESS VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 and 2017**

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Fund Equity

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers or other funds. Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources. Specific reservation of the fund equity is summarized below.

Reserve for Principal was created to represent the portion of the retained earnings available solely for retiring the District's long-term debt.

J. Property Taxes

The District receives property taxes from the County of Napa (County), which has been assigned the responsibility for assessment, collection, and apportionment of property taxes for all taxing jurisdictions within the County. Secured property taxes are levied on July 1 for the following fiscal year and on which date it becomes a lien on real property. Secured property taxes are due in two installments on November 1 and February 1 and are delinquent after December 10 and April 10, respectively. Property taxes on the unsecured roll are due on the July 1 lien date and become delinquent if unpaid by August 31.

The District participates in the County's "Teeter Plan" method of property tax distribution and thus receives 100% of the District's apportionment each fiscal year, eliminating the need for an allowance for uncollectible. The County, in return, receives all penalties and interest on the related delinquent taxes. Under the Teeter Plan, the County remits property taxes to the District based on assessments, not on collections, according to the following schedule: 55 percent in December, 40 percent in April, and 5 percent at the end of the fiscal year. Property tax is recognized when it is available and measurable. The District considers property tax as available if it is received within 60 days after fiscal year end.

K. Use of Estimates

The preparation of these financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 – CASH AND CASH EQUIVALENTS

The County maintains a cash and investment pool in order to facilitate the management of cash. Congress Valley Water District's portion of this pool is displayed on the Statement of Net position as "Cash in Treasury" and the portion of "Cash in Treasury – restricted for debt service". Cash in excess of current requirements is invested in various interest-bearing securities. Interest is allocated quarterly based on average daily cash balances. The Treasurer's investments and policies are overseen by the Napa County Treasurer Oversight Committee. Cash and cash equivalents, as combined, at June 30, 2018 and 2017, consisted of the following:

	6/30/2018	6/30/2017
Cash in County Treasurer:		
Cash in treasury - unrestricted	\$ 1,133,314	\$ 1,129,280
Cash in treasury - restricted for debt service	10,905	21,271
Total cash and cash equivalents	\$ 1,144,219	\$ 1,150,551

**CONGRESS VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 and 2017**

NOTE 3 – CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2018 and 2017 are as follows:

	Balance 6/30/2016	Additions	Balance 6/30/2017	Additions	Balance 6/30/2018
Other capital assets being depreciated:					
Utility Plant	\$ 971,055	\$ -	\$ 971,055	\$ -	\$ 971,055
Less: Accumulated depreciation for:					
Utility Plant	699,912	22,942	722,854	22,942	745,796
Net other capital assets being depreciated, net	<u>\$ 271,143</u>	<u>\$ (22,942)</u>	<u>\$ 248,201</u>	<u>\$ (22,942)</u>	<u>\$ 225,259</u>

NOTE 4 – CHANGES IN NON-CURRENT LIABILITIES

On September 30, 1987, the State of California, Department of Water Resources, issued a \$400,000 loan to the District. The loan proceeds were used to finance the District's water pipeline system. The annual interest rate of the loan is 3.3712% and the maturity date is April 1, 2018. The State of California imposed a 4% administrative fee (\$16,000) which is being amortized over the 30-year life of the loan.

A summary of the non-current debt transactions for the year ended June 30, 2018 and 2017 is presented below:

	Balance 6/30/2016	Reduction	Balance 6/30/2017	Reduction	Balance 6/30/2018	Due within one year
Loan Payable	<u>\$ 52,750</u>	<u>\$ 20,575</u>	<u>\$ 32,175</u>	<u>\$ 21,270</u>	<u>\$ 10,905</u>	<u>\$ 10,905</u>

The future annual debt service requirements to maturity for the above loan, including the interest and amortization of the loan administrative fee are as follows:

Fiscal Year Ending June 30	Principal Payments	Interest	Loan Administrative Fee	Total
2019	<u>\$ 10,905</u>	<u>\$ 185</u>	<u>\$ -</u>	<u>\$ 11,090</u>

NOTE 5 – PRINCIPAL RESERVE

The District, in accordance with the provisions of the loan described in Note 4 above, established a loan principal reserve. A total reserve of \$22,148 was required to be accumulated over a period of 10 years in an annual amount of \$2,215. The total reserve at June 30, 2018 and 2017 is \$22,148 representing 100% of the requirement.

**CONGRESS VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 and 2017**

NOTE 6 – CONTRIBUTED CAPITAL

Grants and entitlements which the District receives for the acquisition or construction of capital assets are recorded as contributed capital.

The District received a grant of \$385,667 from the State of California in prior years. The funds were used to finance the new water pipeline system described in Note 4. The City of Napa contributed matching funds of \$112,442 for this project to be amortized over the 30-year life of the loan.

Scheduled below is an analysis of the activity in the contributed capital for the fiscal years ended June 30, 2018 and 2017:

	Balance 6/30/16	Depreciation	Balance 6/30/17	Depreciation	Balance 6/30/18
Contributed Capital:					
City of Napa	\$ 33,734	\$ 2,811	\$ 30,923	\$ 2,811	\$ 28,112
State of California	115,699	9,641	106,058	9,642	96,416
Totals	\$ 149,433	\$ 12,452	\$ 136,981	\$ 12,453	\$ 124,528

NOTE 7 – INSURANCE COVERAGE

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters, for which the District has obtained commercial insurance coverage.

The District obtained the following comprehensive general liability insurance coverage for each of the fiscal years ended June 30, 2018 and 2017:

	<u>6/30/18</u>	<u>6/30/17</u>
General Commercial Liability:		
Each Occurrence	\$ 1,000,000	\$1,000,000
Annual Aggregate	\$ 3,000,000	\$3,000,000
Products Aggregate	\$ 3,000,000	\$3,000,000
Personal Injury/Aggregate	\$ 1mil/\$3mil	\$ 1mil/\$1mil
Fire Legal Liability	\$ 1,000,000	\$1,000,000
Directors' & Officers' (Wrongful Acts):		
Each Occurrence/Aggregate	\$ 1mil/\$3mil	\$ 1mil/\$3mil
Automobile Liability:		
Hired and Non-owned Liability	\$ 1,000,000	\$1,000,000

NOTE 8 – INTERFUND TRANSFERS

Transfer from the Accumulated Capital Outlay Fund to the General Fund was for the purposes of making the special customer rebate payments in the fiscal year ending June 30, 2019.