

TIMBER COVE COUNTY WATER DISTRICT

FINANCIAL STATEMENTS

JUNE 30, 2015

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TABLE OF CONTENTS

Independent Auditor's Report	1
Basic Financial Statements:	
Statement of Net Position	3
Statement of Revenues, Expenses, and Changes in Net Position.....	4
Statement of Cash Flows	5
Notes to Basic Financial Statements	6



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INDEPENDENT AUDITOR'S REPORT

To Board of Directors
Timber Cove County Water District
Jenner, California 95450

Report on Financial Statements

We have audited the accompanying financial statements of the Timber Cove County Water District (District) as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District as of June 30, 2015, and the respective changes in financial position and cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a 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. Our opinion is not modified with respect to these matters.

Prior-Year Comparative Information

We have previously audited the District's basic financial statements as of and for the year ended June 30, 2014, and our report dated January 31, 2018, expressed an unmodified opinion on those audited financial statements. The financial statements for the fiscal year ended June 30, 2015 include partial prior-year comparative information. Such information does not include all of the information required to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Timber Cove County Water District's financial statements for the fiscal year ended June 30, 2014, from which such partial information was derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated February 12, 2020, on our consideration of Timber Cove County Water District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Timber Cove County Water District's internal control over financial reporting and compliance.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Culver City, California
February 12, 2020

TIMBER COVE COUNTY WATER DISTRICT
STATEMENT OF NET POSITION
June 30, 2015
With Comparative Totals as of June 30, 2014

	June 30, 2015	June 30, 2014
ASSETS		
CURRENT ASSETS		
Cash and Investments	\$ 584,090	\$ 520,161
Accounts Receivable	32,377	44,980
Other Receivables	-	4,090
Prepaid Expenses	-	3,563
TOTAL CURRENT ASSETS	616,467	572,794
NONCURRENT ASSETS		
Cash and Investments Restricted for Capital Improvements	291,000	291,000
Cash Restricted for Debt Service	58,688	76,885
TOTAL NON CURRENT ASSETS	349,688	367,885
CAPITAL ASSETS - NOTE 3	1,419,282	1,488,568
TOTAL ASSETS	2,385,437	2,429,247
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	8,075	12,592
Accrued Interest	833	991
Customer Prepayments	-	5,630
Loan Payable - Current Portion	21,282	20,666
TOTAL CURRENT LIABILITIES	30,190	39,879
LONG TERM LIABILITIES - NOTE 4	92,252	113,533
TOTAL LIABILITIES	122,442	153,412
NET POSITION		
Net Investment in Capital Assets	1,305,748	1,354,369
Restricted for Debt Service	57,855	75,894
Restricted for Capital Improvements	291,000	291,000
Unrestricted	608,392	554,572
TOTAL NET POSITION	\$ 2,262,995	\$ 2,275,835

See accompanying notes to basic financial statements

TIMBER COVE COUNTY WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Fiscal Year Ended June 30, 2015
With Comparative Totals for the Fiscal Year Ended June 30, 2014

	June 30, 2015	June 30, 2014
Operating Revenues		
Sales of Water	\$ 112,933	\$ 91,430
Base Rate Fees	204,255	187,890
Total Operating Revenues	317,188	279,320
Operating Expenses		
Contract Services and Related Expenses	65,116	63,530
Services and Supplies	90,085	71,076
General and Administrative Expenses	69,875	52,281
Depreciation	132,587	132,980
Total Operating Expenses	357,663	319,867
Operating Income (Loss)	(40,475)	(40,547)
Non-Operating Revenues (Expenses)		
Interest Earned	1,008	1,460
Property Taxes	5,611	26,674
Miscellaneous Income	356	-
Interest Expense	(4,658)	(5,403)
Disposal of Capital Assets	-	(89,931)
Total Non-Operating Revenues (Expenses)	2,317	(67,200)
Net Income (Loss)	(38,158)	(107,747)
Net Position, Beginning of Fiscal Year	2,275,835	2,383,582
Prior Period Adjustments	25,318	-
Total Net Position, Beginning of Fiscal Year, Restated	2,301,153	2,383,582
Net Position, End of Fiscal Year	\$ 2,262,995	\$ 2,275,835

See accompanying notes to basic financial statements

TIMBER COVE COUNTY WATER DISTRICT
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2015
With Comparative Totals for the Fiscal Year Ended June 30, 2014

	June 30, 2015	June 30, 2014
Cash Flows From Operating Activities		
Cash Received from Customers	\$ 349,926	\$ 277,765
Payments to Suppliers for Goods and Services	(222,386)	(185,173)
Net Cash Flows Provided by Operating Activities	127,540	92,592
Cash Flows From Capital Financing Activities		
Acquisition of Capital Assets	(63,300)	(52,279)
Payments on Long Term Debt	(20,666)	(20,069)
Interest Payments	(4,817)	(5,552)
Net Cash Flows Used by Capital Financing Activities	(88,783)	(77,900)
Cash Flows From Non-Capital Financing Activities		
Property Taxes	5,611	26,674
Miscellaneous Non Operating Revenues	356	-
Net Cash Flows Provided by Non-Capital and Related Financing Activities	5,967	26,674
Cash Flows From Investing Activities		
Interest Received	1,008	1,460
Net Cash Flows Provided by Investing Activities	1,008	1,460
Net Increase (Decrease) in Cash and Cash Equivalents	45,732	42,826
Cash and Cash Equivalents, Beginning of Fiscal Year	888,046	845,220
Cash and Cash Equivalents, End of Fiscal Year	\$ 933,778	\$ 888,046
Reconciliation of Cash and Investments to Amounts Reported on the Statement of Net Position:		
Cash and Investments	\$ 584,090	\$ 520,161
Cash and Investments Restricted for Capital Improvements	291,000	291,000
Cash Restricted for Debt Service	58,688	76,885
Total Cash and Investments	\$ 933,778	\$ 888,046
Supplemental Disclosures		
Interest Paid During the Fiscal Year	\$ 4,817	\$ 5,552
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	\$ (40,475)	\$ (40,547)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation	132,587	132,980
(Increase) Decrease in Accounts Receivables	34,278	83
(Increase) Decrease in Other Receivables	4,090	(1,836)
(Increase) Decrease in Prepaid Expenses	3,563	(3,563)
Increase (Decrease) in Accounts Payable and Accrued Expenses	(873)	5,278
Increase (Decrease) in Customer Prepayments	(5,630)	197
Net Cash Provided by Operating Activities	\$ 127,540	\$ 92,592

See accompanying notes to basic financial statements

TIMBER COVE COUNTY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

The Timber Cove County Water District (the District), was formed under the California Water District Code, Section 30290, in an election on April 1, 1984, when the District assumed various assets and liabilities of the Timber Cove Mutual Water Company. The District is governed by a Board of Directors and provides water services to the property owners in the Timber Cove area. The County of Sonoma (the County) acts as fiscal agent for debt service payments on behalf of the District for special assessment bonds. The County collects special assessments from District taxpayers which are used to make special assessment bond payments. In its role as fiscal agent for the District, the County ensures the District complies with special assessment bond ordinance requirements.

Accounting Policies

The District conforms to accounting principles generally accepted in the United States of America as applicable to governmental units. These financial statements report the financial position and results of operations of the District's operating fund, which is a proprietary (enterprise) fund type for financial reporting purposes.

Basis of Presentation

The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position display information about the reporting District as a whole.

The District is comprised of only one fund, the Enterprise Fund. Enterprise funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flows. All assets and liabilities are included on the Statement of Net Position.

Comparative Data

Comparative total data for the prior fiscal year has been presented in certain statements of the accompanying financial statements, in order to provide an understanding of changes in the District's financial position and operations.

TIMBER COVE COUNTY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

Basis of Accounting

The District's Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset is used. Revenues, expenses, gains, losses, asset and liabilities resulting from an exchange are recognized when the exchange takes place.

When an expense is incurred for the purpose for which both restricted and unrestricted net position are available, the District's policy is to apply restricted net position first.

Budget

The District is required to adopt an annual budget for the District's general operations each fiscal year. The annual budget is prepared in accordance with the basis of accounting utilized by the District. The budget is amended from time-to-time as the need arises and is approved by the Board of Directors.

Cash and Investments with County Treasurer

Acting as fiscal agent for the District, the County of Sonoma collects flat charges (special assessments) from property owners and allocates them to the District. Sufficient funds are held on deposit in order to make debt service payments on the District's State Water Loan. All other amounts are distributed to the District which deposits the funds with WestAmerica Bank.

The District benefits from the County Treasurer's practice of pooling the cash and investments of certain funds. The fair value of pooled investments is determined annually and is based on current market prices. The method used to determine the District's equity for the purpose of making withdrawals is the book value of the District's percentage of participation at the date of the withdrawal. Interest earned on pooled investments is allocated quarterly, based on the District's average daily balance for that quarter.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the District considers both operating cash and investments purchased with maturities of less than one year to be cash and cash equivalents.

TIMBER COVE COUNTY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

Deposits

It is the District's policy for deposits to either be insured by the FDIC or collateralized.

Accounts Receivables

Accounts receivable represent amounts owed the District by its customers. Management believes all customers with 90 or more days of exposure are considered uncollectible. The District uses these account balances in their calculation of the allowance for doubtful accounts. Payments received in advance are reported as customer prepayments.

Investment Policy

It is the policy of the District to invest funds in a manner that will provide the highest return with maximum security while still meeting the daily cash flow demands of the District. All investments must conform to the requirements of California Government Code Sections 5921 and 53601. All investments are in the form of Inactive Public Deposits or Certificates of Deposit and the balances indicated on the balance sheet as investments, restricted and unrestricted, approximate fair value.

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 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.

Risk Management

The District is exposed to various risks of loss related to torts, theft to, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The District carries insurance for all risks. Settled claims resulting from these risks have not exceeded insurance coverage in the past three years.

TIMBER COVE COUNTY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

Capital Assets

Property, plant and equipment are valued at historical cost or at an estimate of their historical cost, if actual historical cost is not available. Donated assets are valued to their estimated fair value on the date donated.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Depreciation of all exhaustible fixed assets used by Proprietary Funds is charged as an expense against their operations. Accumulated depreciation is reported on Proprietary Fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

Distribution system	30 years
Treatment plant	25 years
Fire hydrants	25-30 years
Equipment and miscellaneous assets	3-25 years

Proprietary Fund Financial Statements

The District has a sole fund which is considered a proprietary fund.

Proprietary Fund Financial Statements include a Statement of Net Position, A Statement of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows for the proprietary fund.

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or non-current) are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. In these funds, receivables have been recorded as revenue and provisions have been made for uncollectible amounts.

TIMBER COVE COUNTY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

Operating revenues in the proprietary fund are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

Standing Rules and Regulations

In accordance with California Water Code §31007, the rates and charges to be collected by the District shall be so fixed as to yield an amount sufficient to do each of the following:

- a) Pay the operating expenses of the District
- b) Provide for repairs and depreciation of works owned or operated by the District
- c) Pay the interest on any bonded debt
- d) So far as possible, provide a fund for the payment of the principal of the bonded debt as it becomes due

It is intended by this section to require the District to pay the interest and principal of its bonded debt from the revenues of the District.

The District shall not commit to the delivery of water it cannot reliably produce.

The District shall develop the ability to produce sufficient water to serve a full build out of the subdivision ahead of actual demand.

The Board shall bill customers at a rate to cover District operational costs and capital replacement costs.

The rate shall be composed of two elements; a Base Rate for future replacement cost and a Tier Rate to cover ongoing operational costs.

The minimum tier must be greater than actual operating cost, and will be billed in gallons.

The Base rate must be greater than the depreciation adjusted by replacement cost.

Special assessments must be charged in anticipation of capital improvements such as new wells, property acquisitions, etc.

The Board shall meet annually in January to set the tier rate. This meeting shall be noticed to the customers of the District.

TIMBER COVE COUNTY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

Future Accounting Pronouncements

GASB Statements listed below will be implemented in future financial statements:

Statement No. 72	"Fair Value Measurement and Applications"	The provision of this statement are effective for fiscal years beginning after June 15, 2015
Statement No. 73	"Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68"	The provision of this statement are effective for fiscal years beginning after June 15, 2015
Statement No. 74	"Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans"	The provision of this statement are effective for fiscal years beginning after June 15, 2016
Statement No. 75	"Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions"	The provision of this statement are effective for fiscal years beginning after June 15, 2017
Statement No. 76	"The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments"	The provision of this statement are effective for fiscal years beginning after June 15, 2015
Statement No. 77	"Tax Abatement Disclosures"	The provision of this statement are effective for fiscal years beginning after June 15, 2015
Statement No. 78	"Pension Provided through Certain Multiple-Employer Defined Benefit Pension Plans"	The provision of this statement are effective for fiscal years beginning after June 15, 2015
Statement No. 79	"Certain External Investment Pools and Pool Participants"	The provision of this statement are effective for fiscal years beginning after June 15, 2015
Statement No. 80	"Blending Requirements for Certain Component Units in amendment of GASB Statement No.14"	The provision of this statement are effective for fiscal years beginning after June 15, 2016
Statement No. 81	"Irrevocable Split-Interest Agreements"	The provision of this statement are effective for fiscal years beginning after June 15, 2016
Statement No. 82	"Pension Issues in amendment of GASB Statements No. 67, No. 68 and No. 73"	The provision of this statement are effective for fiscal years beginning after June 15, 2016
Statement No. 83	"Certain Asset Retirement Obligations"	The provision of this statement are effective for fiscal years beginning after June 15, 2018
Statement No. 84	"Fiduciary Activities"	The provision of this statement are effective for fiscal years beginning after December 15, 2018
Statement No. 85	"Omnibus 2017"	The provision of this statement are effective for fiscal years beginning after June 15, 2017
Statement No. 86	"Certain Debt Extinguishment Issues"	The provision of this statement are effective for fiscal years beginning after June 15, 2017
Statement No. 87	"Leases"	The provision of this statement are effective for fiscal years beginning after December 15, 2019
Statement No. 88	"Certain Disclosures related to Debt, including Direct Borrowings and Direct Placements"	The provision of this statement are effective for fiscal years beginning after June 15, 2018
Statement No. 89	"Accounting for Interest Cost incurred before the End of a Construction Period"	The provision of this statement are effective for fiscal years beginning after December 15, 2019
Statement No. 90	"Majority Equity Interests"	The provision of this statement are effective for fiscal years beginning after December 15, 2018
Statement No. 91	"Conduit Debt Obligations"	The provision of this statement are effective for fiscal years beginning after December 15, 2020
Statement No. 92	"Omnibus 2020"	The provision of this statement are effective for fiscal years beginning after June 15, 2020

TIMBER COVE COUNTY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

Note 2 - Cash and Investments

As of June 30, 2015 and 2014 cash consisted as follows:

	<u>2015</u>	<u>2014</u>
Cash in banks	\$ 875,090	\$ 520,161
Certificates of Deposit	-	291,000
	<u>875,090</u>	<u>811,161</u>
Cash for capital improvements- restricted	<u>(291,000)</u>	<u>(291,000)</u>
Total Cash and Investments	<u>\$ 584,090</u>	<u>\$ 520,161</u>
Cash and Investments with County of Sonoma for debt service - restricted	<u>\$ 58,688</u>	<u>\$ 76,885</u>

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 possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) 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 California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

The District's deposits with financial institutions in excess of federal depository insurance limits are legally required by the California Government Code to collateralize the City's deposits as noted above.

TIMBER COVE COUNTY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

Investment in Sonoma County Investment Pool

The District's cash is pooled with the Sonoma County Treasurer, who acts as a disbursing agent for the District. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the Treasury Pool for the entire Treasury Pool portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on accounting records maintained by the Treasury Pool, which are on an amortized cost basis. Interest earned on investments pooled with the County is allocated quarterly to the appropriate fund based on its respective average daily balance for that quarter. The Treasury Oversight Committee has regulatory oversight for all monies deposited into the Treasury Pool.

A copy of the Treasury Pool investment policy is available upon request from the Sonoma County Treasurer at 585 Fiscal Drive, Room 100-F, Santa Rosa, California, 95403-2871.

Disclosures Relating to 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.

Information about the sensitivity of the fair values of the District's investments (including investments held by fiscal agents) to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity as of June 30, 2015:

Investment Type	Totals	Remaining maturity (in Months)			
		12 Months or Less	13 to 24 Months	25-60 Months	More Than 60 Months
Sonoma County Investment Pool	\$ 58,688	\$ 58,688	\$ -	\$ -	\$ -
	<u>\$ 58,688</u>	<u>\$ 58,688</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

TIMBER COVE COUNTY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of rating by a nationally recognized statistical rating organization. Presented below, is the minimum rating required by (where applicable) the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of June 30, 2015 for each investment type.

Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Fiscal Year End			
				AAA	AA	A	Not Rated
Sonoma County Investment Pool	\$ 58,688	N/A	\$ -	\$ -	\$ -	\$ -	\$ 58,688
Total	<u>\$ 58,688</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 58,688</u>

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments in any one issuer that represent 5% or more of total District investments (external investment pools are excluded).

Restricted Cash and Investments

Restricted cash and investments held for capital improvements consists of funds collected from all property owners for water services. The base rate money is to be spent on water system improvements and replacement of depreciated equipment, as stated in the Standing Rules and Regulations (see Note 1).

Restricted cash and investments held for debt service consists of funds held by the County of Sonoma that are received through special assessments. These funds are to be used for payment of the State Water Loan.

TIMBER COVE COUNTY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

Note 3 - Capital Assets

The following is a summary of the changes in property, plant and equipment for the fiscal year:

	Balance at July 1, 2014	Additions	Deletions	Prior Period Adjustment	Balance at June 30, 2015
Capital Assets, not being depreciated:					
Land	\$ 170,232	\$ -	\$ -	\$ -	\$ 170,232
Construction in Progress	1,058	23,560			24,618
Total Capital Assets, not being depreciated	171,290	23,560			194,850
Capital Assets, being depreciated:					
Building	76,751				76,751
Water System	2,957,294	15,404			2,972,698
Treatment Plant	226,006	24,096			250,102
Fire Hydrants	158,064			(1,892)	156,172
Equipment and Other Assets	85,446				85,446
Total Capital Assets, being depreciated	3,503,561	39,500		(1,892)	3,541,169
Less Accumulated Depreciation	(2,186,283)	(130,671)		217	(2,316,737)
Total Capital Assets, being depreciated, net	1,317,278	(91,171)		(1,675)	1,224,432
Total Capital Assets, Net	\$ 1,488,568	\$ (67,611)	\$ -	\$ (1,675)	\$ 1,419,282

Depreciation expense of \$130,671 and \$132,980 was recorded as an operating expense for the fiscal years ended June 30, 2015 and 2014, respectively.

Note 4 - Loan Payable — SDWR

Under the Safe Drinking Water Bond Law of 1988, the California Department of Water Resources provided Timber Cove County Water District with a \$460,000 loan and a \$400,000 grant. The District is obligated to make semi-annual payments to the State for a period not to exceed 25 years at an interest rate of 2.955%. The first semi-annual payment was due October 1, 1998. Included in the payment schedule was a 5% administrative fee bringing the total initial principal amount to \$483,000. The outstanding balance as of June 30, 2015 was \$113,534.

TIMBER COVE COUNTY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

Note 4 - Loan Payable — SDWR (Continued)

The following is a summary of long term debt for the fiscal year ended June 30, 2015:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 21,282	\$ 3,199	\$ 24,481
2017	21,915	2,565	24,480
2018	22,568	1,913	24,481
2019	23,239	1,241	24,480
2020	23,931	549	24,480
2021	599	9	608
Totals	<u>\$ 113,534</u>	<u>\$ 9,476</u>	<u>\$ 123,010</u>

Note 5 - Changes in Long Term Debt

The following is a summary of long term debt for the fiscal year:

	<u>Balance at July 1, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2015</u>	<u>Due Within One Year</u>
Loan Payable (SDWR)	<u>\$ 134,200</u>	<u>\$ -</u>	<u>\$ 20,666</u>	<u>\$ 113,534</u>	<u>\$ 21,282</u>

Note 6 - Debt Issued Without Government Commitment

Assessment District 1994

In August 1994, the Timber Cove County Water District (District) issued \$1,128,829 of Assessment District 1994, Limited Obligation Improvement Bonds. The Bonds were issued for the acquisition of a water reservoir site and the construction of a water storage reservoir, a water treatment plant, a water main and pumping facilities.

The District is in no way liable for repayment but is only acting as an agent for the property owners in collecting the assessments, forwarding the collection to bondholders, and initiating foreclosure proceedings for the benefit of the bondholders. For these reasons, neither the debt nor the related debt service transactions are recorded in the District's basic financial statements. The principal balance outstanding at June 30, 2015 is \$104,000.

TIMBER COVE COUNTY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

Note 7 - Net Position

GASB Statement No. 63 requires that the differences between assets added to the deferred outflows of resources and liabilities added to the deferred inflows of resources be reported as net position. Net position is classified as either net investment in capital assets, restricted, or unrestricted.

In the government-wide financial statements, net position is reported in three categories: net investment in capital assets, restricted and unrestricted. Net position that is net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by the outstanding principal of related debt. Restricted net position represents the portion of net position that has external constraints placed on it by parties outside of the District, such as creditors, grantors, contributors, or laws and regulations of other governments, or through constitutional provisions or enabling legislation. Unrestricted net position consists of net position that does not meet the definition of net investment in capital assets or restricted net position.

Net investment in capital assets describes the portion of net position which is represented by the current net book value of the District's capital assets, less the outstanding balance of any debt issued to finance these assets.

Restricted net position describes the portion of net position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the District cannot unilaterally alter. These principally include developer fees received for use on capital projects, debt service requirements, and gas tax funds for street construction.

Unrestricted net position describes the portion of net position which is not restricted as to use.

Note 8 - Subsequent Events

On September 12, 2015, the District purchased the Weir Property from Caltrans in the amount of \$49,000.

On September 10, 2016, the District approved the Amanita Pipeline Project in the amount of \$27,000.

On May 13, 2017, the District approved the final property settlement terms for the purchase of land at 22102 Timber Cove Road in the amount of \$89,000.

Note 9 - Prior Period Adjustments

There are prior period adjustments in the amount of \$20,000 for an understatement of allowance for uncollectible accounts receivable in the prior fiscal year, \$3,643 for an overstatement of accounts payable in the prior fiscal year, and \$1,675 for an overstatement of capital assets in the prior fiscal year.