

EXECUTIVE OFFICER'S REPORT

To The *Local Agency Formation Commission*

TO:

Commissioner	MARIA NAVA-FROELICH	[City]	Commissioner	MICHAEL KELLEY (Chair)	[Supervisor]
Commissioner	JASON JACKSON	[City]	Commissioner	RAY CASTILLO	[Supervisor]
Commissioner	DAVID WEST (Vice-Chair)	[Public]			
Alt Commissioner	JACK TERRAZAS	[Supervisor]			
Alt Commissioner	JIM PREDMORE	[City]			
Alt Commissioner	RALPH MENVIELLE	[Public]			

REPORT DATE: May 1, 2016

FROM: Jurg Heuberger, AICP, CEP, Executive Officer 

PROJECT: Winterhaven County Water District Sphere of Influence (SOI) update and Service Area Plan (SAP)/Municipal Services Review (MSR)

HEARING DATE: May 26, 2016 **TIME:** 9:00 AM

AGENDA ITEM NO: 15

HEARING LOCATION: El Centro City Council Chambers, 1275 Main Street, El Centro, CA

RECOMMENDATION(S) BY THE EXECUTIVE OFFICER (In Summary & Order)

- OPTION #1:** Approve the proposed Sphere of Influence (SOI) and the Service Area Plan/MSR update as presented by the Executive Officer.
- OPTION #2:** Approve the proposed Sphere of Influence (SOI) and Service Area Plan/MSR update as requested with modifications, following the hearing by the Commission.
- OPTION # 3:** Continue the hearing for not to exceed 70 days, (end date August 15, 2016).
- OPTION # 4:** Deny the Sphere of Influence and Service Area Plan update, and provide direction to the District and EO for corrections.

Project Data:

DATA & FACTS:

Project ID	WCWD 1-16
Project Name:	Winterhaven County Water District Sphere of Influence and Service Area Plan Update (SAP)/MSR
Applicant/Proponent:	Winterhaven County Water District
Application Type:	LAFCO requested update
Application Filed:	N/A (LAFCO Direction)
Certificate of Filing:	N/A
Area/Size:	See Plan
Location/Legal:	Maps of the District Boundary and the SOI are included in this report.
Population:	NA
Proposed Project:	Service Area Plan (SAP) / Municipal Services Review (MSR) Update.
MSR/SAP:	The most recent version of the Winterhaven County Water District MSR/SAP is 2006.

TAX AGREEMENT:

Board of Supervisors Action:	N/A
City Resolution:	N/A (will be required upon notification by LAFCO)
Tax Split:	N/A

CEQA:

Lead Agency:	LAFCO
Documentation:	Exempt

ANALYSIS

I: Legal Requirements (Historical information):

Cortese-Knox-Hertzberg Reorganization Act of 2000 (CKH), also referred to as Government Code 56000 et Seq., provides the legal basis for the requirement of the Sphere of Influence and the Service Area Plan or Municipal service Review (MSR) being considered within the scope of this hearing.

G.C. § 56425 (a) states in part; *"In order to carry out its purposes and responsibilities for planning and shaping the logical and orderly development and coordination of local governmental agencies so as to advantageously provide for the present and future needs of the county and its communities, the commission shall develop and determine the sphere of influence of each local governmental agency with the county and enact policies designed to promote the logical and orderly development of areas within the sphere."*

G.C. § 56425 (b - i) provide the frame work within which the Commission may approve the sphere of influence and the process that needs to be followed.

G.C. § 56425 (e) states in part; *"In determining the sphere of influence of each local agency, the commission shall consider and prepare a written statement of its determination with respect to each of the following:*

- (1) *The present and planned land uses in the area.*
- (2) *The present and probable need for public facilities and services in the area.*
- (3) *The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.*
- (4) *The existence of any social or economic communities' of interest in the area if the commission determines that they are relevant to the agency.*

G.C. § 56425 (f) is a critical new section that changed the parameters of the prior review insofar that this section now requires that; *" Upon determination of a sphere of influence, the commission shall adopt that sphere, and shall review and update, **as necessary**, the adopted sphere **not less than once every five years"**.*

There appears to be a misconception that the agencies will have to prepare a full new plan every five years, however the intent here is to "review" the prior plan and to amend it if necessary. If there have been significant changes, or if there has been explosive growth, then certainly the amendment will be much more comprehensive.

G.C. § 56428 (a) provides the mechanism for anyone to file a request with the executive officer for an amendment to the sphere of influence. It states in part; *"Any person or local agency may file a written request with the Executive Officer requesting amendments to a sphere of influence or urban service area adopted by the commission..."*

Again there may be some confusion in this area as there have been numerous questions about the "limitations" of the sphere and the process to amend.

It appears clear that the mandate is to review the plan at least every five years but there is no apparent restriction on the number of times that it may be amended nor is there a restriction on who can request such an amendment, there is only a process that needs to be followed. It goes without saying however that for an amendment to work it need the consensus of the City/District, the County and the Commission.

Just as there are provisions for the addition of areas to a sphere of influence there are provisions for a process to remove an area from an approved sphere boundary. This is found in G.C. 56429.

In addition to the SOI process G.C. § 56430 (a - d) now addresses the requirement for the review of municipal services which in our case has been referred to for nearly a decade as the Service Area Plan (SAP).

G.C. § 56430 (a) states; *“In order to prepare and to update spheres of influence in accordance with Section 56425, the Commission shall conduct a service review of the municipal services provide in the county or other appropriate area designated by the commission. The commission shall include in the area designated for service review the county, the region, the sub region, or any other geographic area as its appropriate for an analysis of the service or service to be reviewed and shall prepare a written statement of its determination with respect to each of the following:*

- 1) *Infrastructure needs or deficiencies.*
- 2) *Growth and population projections for the affected area.*
- 3) *Financing constraints and opportunities.*
- 4) *Cost avoidance opportunities.*
- 5) *Opportunities for rate restructuring.*
- 6) *Opportunities for shared facilities*
- 7) *Governmental structure options, including advantages and disadvantages of consolidation or reorganization of service providers.*
- 8) *Evaluation of management efficiencies*
- 9) *Local accountability and governance.”*

G.C. § 56430 (d) also required that the Office of Planning and Research of the State, in consultation with the commissions, and the California Association of LAFCO's and other governmental agencies, SHALL prepare a comprehensive set of guidelines for service reviews by July 1, 2001. Since these guidelines are voluminous a full text copy is not attached to the report however there is a PDF copy on the CD rom that has been provided to each commissioner and every interested party. Furthermore, the Executive Officer has urged the various entities to utilize the "draft final" version as a guide to preparing the SOI and SAP.

II: The PLAN as submitted:

The District is a Water District that provides water and wastewater services to a very small area within Imperial County, primarily the town site of Winterhaven. The review in this case is/was the case in a number of other smaller districts pursuant to the direction of LAFCO focused primarily on the financial viability of the District. Insofar as this is a limited purpose District the services provided appear to be and have been provided adequately for the most part. The District does have some challenges as do a number of similar smaller districts. The financials for the District as per the attached also show that it is financially stable.

III: District Approvals:

The District will need to accept the LAFCO approval of the SOI/MSR/SAP via a resolution to include any and all recommendations.

IV: CEQA:

It is argued and it is the Executive Officers opinion that the Service Area Plan fit within one or more "exemptions" under the provisions of CEQA, not the least of which is the possible determination that this process is "not a project".

V: Analysis by the Executive Officer / Determinations by the COMMISSION:

G.C. § 56425 (e) states in part; *"In determining the sphere of influence of each local agency, the Commission shall consider and prepare a written statement of its determination with respect to each of the following:*

- (1) *The present and planned land uses in the area.*
- (2) *The present and probable need for public facilities and services in the area.*
- (3) *The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.*
- (4) *The existence of any social or economic communities of interest in the area if the commission determines that they are relevant to the agency.*

Proposed findings by the Commission:

- 1) **The present land use within the boundaries of the proposed SOI/SAP includes residential, some commercial but little or no industrial. The District provides only water and wastewater treatment related services and provides no other services.**
- 2) **Currently the services provided are according to the audited financial information being supplied in a financially stable and adequate manner. (See audited financial information attached). It needs to be noted however that almost 44% of the total revenue for the District is from one customer. Should that balance change the District could encounter serious financial issues.**
- 3) **There are no known social or economic communities of interest relevant to this review..**

VI: Public Notice:

Public notice for the proposed project hearing before the Imperial County Local Agency Formation Commission has been given, according to Section § 56427. Notice was issued in the form of a publication in the IV Press at least twenty-one (21) days prior or said hearing, and posted on our webpage.

VII: Report:

In accordance with Section § 56665, the Executive Officer has prepared a report, and presented said report to your Commission and to any public member requesting such report. In addition, a copy of said report has been issued to the Riverview Cemetery District and any party requesting a copy.

VIII: Conflict of Interest Statement:

To date (at the writing of this report, May 1, 2016) no Commissioner has indicated that there is any conflict of interest with regard to this project, nor has any Commissioner reported any communications with the Applicant, Proponent or Opponent. The Commissioners will be asked to declare that during and prior to the public hearing.

The Executive Officer does not have any type of known conflict of interest or financial gain as a result of this project and owns no property in the vicinity.

EXECUTIVE OFFICERS RECOMMENDATION

RECOMMENDATION:

It is the recommendation of the Executive Officer that LAFCO conduct a public hearing and consider all information presented in both written and oral form. The Executive Officer then recommends, assuming no significant public input warrants to the contrary, that LAFCO take the following action;

- I: Certify that the Service Area Plan is exempt from CEQA.
- II: Make the finding that this Sphere of Influence and Service Area Plan (SAP)/ Municipal Service Review (MSR) is in substantial compliance with the provisions of the Cortese-Knox-Hertzberg Reorganization Act of 2000 and the Imperial LAFCO Policy and Procedures.
- III: Make the findings pursuant to Government Code Section § 56425 that:
 - a. The Service Area Plan has been reviewed by the Executive Officer and the Commission and the District has the capacity and ability to provide services within the area.
 - b. The Service Area Plan for the District shows it to be operating its service in a financially sound manner.
 - c. The Sphere of Influence currently adopted remains adequate for the District and no annexations or changes to the boundary have occurred since the prior SAP review.
- IV: The Commission finds that, the present land uses within the boundaries of the District are predominately agricultural with urban and the services are strictly for providing Cemetery related functions.

The Commission finds that, there are no known social or economic communities of interest in the areas.
- V: Since there have been no protests received, the Commission adopts and approves the current Sphere of Influence Boundary as previously reviewed and approved.

LAFCO Policy:

The proposed Sphere of Influence and Service Area Plan appears to be consistent with the Cortese-Knox-Hertzberg Reorganization Act of 2000, the Imperial LAFCO Policies and Procedures and the County of Imperial General Plan (Chapter IV. B. of LAFCO's Policies, Standards and Procedures). Furthermore, the District has (according to the Service Area Plan) the ability to supply the necessary public service, and has assured LAFCO that it has the capacity to service the areas.

NOTE: All "cc" submittals are the Executive Officer's Report only. Attachments are generally too voluminous and are only supplied on CD. Information about the project may also be found on the LAFCO web page at www.iclafco.com.

CC: Winterhaven County Water District

ATTACHMENTS:

EXHIBIT A – Audited Financial Information
EXHIBIT B – Current Sphere of Influence Boundary Map

EXHIBIT A

WINTERHAVEN WATER DISTRICT
FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT
As of and for the Year Ended June 30, 2015



George J. Woo
Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Winterhaven Water District
Winterhaven, California

I have audited the accompanying financial statements of the Winterhaven Water District (the "District") as of June 30, 2015 and the related notes to the financial statements, which collectively compromise 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 the 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. 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 the Winterhaven Water District as of June 30, 2015, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 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. 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.

Other Information

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the financial statements as a whole. The supplementary schedules on pages 17 through 18 are presented for purposes of additional analysis and is not a required part of the financial statements. The information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

December 18, 2015

A handwritten signature in black ink, appearing to read "James J. [unclear]", is written over the date.

Winterhaven Water District
Management's Discussion and Analysis
June 30, 2015

The following section of the annual financial report of the Winterhaven Water District (the District) includes an overview and analysis of the District's financial position and activities for the years ended June 30, 2015 and 2014. This discussion and analysis, as well as the basic financial statements which it accompanies, is the responsibility of the management of the District.

Introduction to the Basic Financial Statements

This annual report consists of a series of financial statements, prepared in accordance with generally accepted accounting principles; such report has been designed to improve the usefulness of the report to the primary users of these basic financial statements.

The District presents its basic financial statements using the economic resources measurement to focus and accrual basis of accounting. As a Business-Type Activity, the District's basic financial statements include a Statement of Net Position; a Statement of Revenues, Expenses, and Changes in Net Position; and a Statement of Cash Flows. Notes to the basic financial statements and this section support these statements. All sections must be considered together to obtain a complete understanding of the financial position and results of operations of the District.

Statements of Net Position – The Statements of Net Assets include all assets and liabilities of the District, with the difference between the two reported as net assets. Assets and liabilities are reported at their book value, on an accrual basis, as of June 30, 2015, and 2014. These statements also identify major categories of restrictions on the District's Net Position.

Statements of Revenues, Expenses, and Changes in Net Position– The Statements of Revenues, Expenses, and Changes in Net Assets present the revenues earned and expenses incurred by the District during the years ended June 30, 2015, and 2014, on the accrual basis of accounting.

Statement of Cash Flows – The Statements of Cash Flows present the changes in the District's cash and investments for the years ended June 30, 2015 and 2014. Such statements are summarized by operating, capital, and noncapital financing and investing activities. The statements of cash flows have been prepared using the direct method of reporting cash flows and, therefore, present gross, rather than net amounts, for each respective year's activities.

Winterhaven Water District
Management's Discussion and Analysis
June 30, 2015

Condensed Financial Position Information

The following condensed financial information provided an overview of the District's financial position for the fiscal years ended June 30, 2015 and June 30, 2014.

	<u>2015</u>	<u>2014</u>
Assets:		
Utility plant, net	\$ 1,572,400	\$ 1,605,359
Other assets	<u>219,291</u>	<u>196,556</u>
Total Assets	<u>1,791,691</u>	<u>1,801,915</u>
Liabilities:		
Other liabilities	<u>10,887</u>	<u>30,225</u>
Total Liabilities	<u>10,887</u>	<u>30,225</u>
Net Position:		
Invested in utility plant, net of related debt	1,572,400	1,605,359
Unrestricted	<u>208,404</u>	<u>166,331</u>
Total Net Position	<u>\$ 1,780,804</u>	<u>\$ 1,771,690</u>

(a) Net Position

Net Position, the difference between assets and liabilities, increased \$ 9,114 for June 30, 2015 and increased \$ 2,973 in 2014.

(b) Utility Plant

Net utility plant, which is comprised of property plant and equipment increased \$ 30,140 due to the current year construction in progress and decreased \$ 63,099 due to the annual depreciation associated with those assets.

(c) Other Assets

Other assets consist of cash, investments, and accounts receivable.

(d) Other Liabilities

Other liabilities consists of accounts payable, payroll taxes payable, accrued interests payable, and customer deposits.

Winterhaven Water District
 Management's Discussion and Analysis
 June 30, 2015

Summary of Operations and Changes in Net Position

Increase in the District's Net Position for the fiscal year 2015 was \$ 9,114. The tables below summarize the District's fiscal year 2015 and 2014 activity:

	<u>2015</u>	<u>2014</u>
Operating revenues:		
Water, sewer and trash revenues	\$ <u>346,757</u>	\$ <u>321,893</u>
Operating expenses:		
Operation and maintenance	284,208	282,999
Depreciation	<u>63,099</u>	<u>62,119</u>
Total operating expenses	<u>347,307</u>	<u>345,118</u>
Operating income (Loss)	<u>(550)</u>	<u>(23,225)</u>
Non-operating revenues (expenses):		
Grant Income	-0-	7,800
Other Income	26	2,960
Interest income	257	765
Property taxes	<u>9,381</u>	<u>14,673</u>
Total non-operating revenues (expenses)	<u>9,664</u>	<u>26,198</u>
Increase in Net Position	9,114	2,973
Total Net Position, beginning of year	<u>1,771,690</u>	<u>1,768,717</u>
Total Net Position, end of year	<u>\$ 1,780,804</u>	<u>\$ 1,771,690</u>

Winterhaven Water District
Management's Discussion and Analysis
June 30, 2015

(a) Operating Revenues

During fiscal year 2015 operating revenues increased \$ 24,864.

(b) Operating Expenses

Operating expenses consists of salaries, administrative expenses and operations and maintenance costs. During the year, operating expenses (including depreciation) increased \$ 2,189.

(c) *Non-operating Revenues and Expenses*

Non-operating revenues and expenses consist of interest income, property taxes, sale of equipment and grant income.

Utility Plant and Debt Administration

(a) Utility Plant

Net utility plant is comprised of the water system, land and buildings. Equipment consists of vehicles, tools and equipment, office furniture, and computer equipment.

Request for information

This financial report is designed to provide a general overview of the Winterhaven Water District's finances for all those with an interest in district's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office Manager, Winterhaven Water District, 494 Second Ave., Winterhaven, California 92283-0787.

Winterhaven Water District
Statement of Net Position
As of June 30, 2015

ASSETS

Current Assets:

Cash & Investments	\$ 192,694
Accounts receivable	<u>26,597</u>

Total Current Assets	219,291
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Property, plant and equipment, net of depreciation	<u>1,572,400</u>
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Total Assets	<u><u>\$ 1,791,691</u></u>
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LIABILITIES AND NET POSITION

Current Liabilities:

Accounts payable	\$ 5,845
Payroll Taxes Payable	1,753
Customer deposits	<u>3,289</u>

Total Current Liabilities	<u>10,887</u>
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Net Position

Net Investment in Capital Assets	1,572,400
Unrestricted	<u>208,404</u>

Total Net Position	<u><u>\$ 1,780,804</u></u>
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The accompanying notes are an integral part of these financial statements.

Winterhaven Water District
Statement of Revenues and Expenses
For The Year Ended June 30, 2015

Operating revenues:

Water, sewer charges and trash removal	\$ 346,757
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Operating expenses:

Bank service charges	349
Chemicals	14,317
Contract Labor	54,024
Depreciation expense	63,099
Director's fees	12,325
Electricity	17,362
Employee benefits	15,936
Expense Reimbursement	1,430
Freight Charge	620
Fuel & oil	2,509
Insurance	5,825
Lab	4,802
Office expense	11,334
Payroll taxes	2,846
Permit	3,797
Professional fees	9,501
Repairs & maintenance	8,794
Returned Checks	133
Salaries & wages	55,204
Sewer plant	40,249
Supplies	2,004
Trash disposal	10,821
Truck repairs	9,832
Uniforms	194

Total operating expenses	347,307
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Operating income (loss)	(550)
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Nonoperating revenues (expenses):

Other Income	\$ 26
Interest income	257
Property Taxes	9,381

Total nonoperating revenues (expenses)	9,664
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Net change in Net Position	\$ 9,114
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The accompanying notes are an integral part of these statements.

Winterhaven Water District
Statement of Changes in Net Position
For The Year Ended June 30, 2015

Balance beginning of year	\$ 1,771,690
Net increase in Net Position	<u>9,114</u>
Balance end of year	<u><u>\$ 1,780,804</u></u>

The accompanying notes are an integral part of these financial statements.

Winterhaven Water District
Statement of Cash Flows
For The Year Ended June 30, 2015

Cash flows from operating activities:

Operating income (loss)	\$ (550)
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation	63,099
(Increase)/decrease in accounts receivable	2,528
Increase/(decrease) in accounts payable	(20,821)
Increase/(decrease) in payroll taxes payable	(1,271)
Increase/(decrease) in customer deposits	2,754
Total adjustments	<u>46,289</u>
Net cash used in operating activities	<u>45,739</u>

Cash flows from investment activities:

Interest received	257
Net cash provided by investing activities	<u>257</u>

Cash flows from capital and related financing activities:

Other income	26
Proceeds from property taxes	9,381
Purchase of property and equipment	<u>(30,140)</u>
Net cash (used in) provided by capital and related financing activities	<u>(20,733)</u>

Net increase in cash and investments	25,263
Cash and restricted investments at beginning of year	<u>167,431</u>
Cash and restricted investments at end of year	<u>\$ 192,694</u>

The accompanying notes are an integral part of these financial statements.

Winterhaven Water District
Notes to the Financial Statements
June 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

The Reporting Entity

The Winterhaven Water District (the "District") was formed February 24, 1971, under the State of California Water Code Section 30322.

The District is governed by a Board of Directors consisting of five members who are elected or appointed for four-year terms.

The financial statements consist only of the funds of the District. The District has no oversight responsibility for any other governmental entity since no other entities are considered to be controlled or dependent on the District.

Property, Plant and Equipment and Depreciation

Property, plant and equipment are recorded at cost. Expenditures for maintenance and repairs are charged against operations. Renewals and betterments that materially extend the life of the assets are capitalized. Depreciation on property, plant and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis. The estimated useful lives are as follows:

Building improvements	25-50 years
Equipment	10 years
Street lights	30 years
Waste disposal	50 years
Water system	50 years

Winterhaven Water District
Notes to the Financial Statements
June 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budget

The District prepares and adopts a budget each year on the cash basis, a non-generally accepted accounting principles ("GAAP") budgetary basis. The difference between the District's budgetary basis and GAAP arises due to the fact that the District, for budget purposes, expenses purchases of equipment rather than capitalizing the equipment as required by GAAP.

Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates under different assumptions or conditions.

NOTE 2: CASH AND INVESTMENTS

The District maintains separate non-interest bearing cash accounts for checking - general, payroll and petty cash.

The cash in County Treasury is maintained by the County of Imperial (the "County"). The County maintains an agency fund for the District and therefore, records a corresponding liability fund obligation. The County pools its cash and investments from each fund to maximize the interest earning potential. Interest earned is allocated at the end of the fiscal year based on weighted averages of the cash and investment balances at year end.

The District considers all cash and cash deposits, investments in mutual and similar funds and other investments with initial maturities of less than 90 days to be cash and cash equivalents for purposes of preparing the accompanying combined statements of cash flows.

Winterhaven Water District
Notes to the Financial Statements
June 30, 2015

NOTE 2: CASH AND INVESTMENTS (Continued)

The District's cash deposits as of June 30, 2015 were either entirely insured by appropriate Federal depository insurance or collateralized with collateral held by the pledging financial institution's trust department or agent in the District's name in accordance with provisions of the California Government Code. The carrying amount and bank balance of the District's deposits as of June 30, 2015 are as follows:

	<u>Carrying Value</u>	<u>Bank Balance</u>
Insured	<u>\$ 174,011</u>	<u>\$ 183,294</u>
Collateralized	<u>\$ 174,011</u>	<u>\$ 183,294</u>

The District's investments as of June 30, 2015 are categorized by the level of custodial risk assumed by the District. The risk categories are defined as follows:

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 agent, but not in the District's name

Winterhaven Water District
Notes to the Financial Statements
June 30, 2015

NOTE 2: CASH AND RESTRICTED INVESTMENTS (Continued)

Not Required to be Categorized: Investments in pools managed by other governments or investment services in which the District owns a share of the total pool, but does not own specific underlying investments within such pool. This includes investments in the Imperial County Pool. The District does not have a detail of the portfolios of the Imperial County Pool as of June 30, 2015.

Imprest Cash	\$ <u>200</u>
Cash – checking	129,394
Cash - payroll	3,920
Certificate of Deposit	40,697
Cash in the County Treasury	<u>16,155</u>
Total cash deposits	<u>190,166</u>
Total cash	<u>190,366</u>
Investment- Principal Financial Stock	<u>2,328</u>
Total cash and investments	<u>\$ 192,694</u>

The District's investments as of June 30, 2015 are categorized by level of custodial risk in the following table:

	<u>Fair Value</u>
Not subject to categorization:	
Investment in County Pool	<u>\$ 16,155</u>
Total investments	<u>\$ 16,155</u>

Winterhaven Water District
Notes to the Financial Statements
June 30, 2015

NOTE 3: PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are summarized by major classifications as follows:

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u> <u>(Retirements)</u>	<u>Balance</u> <u>June 30, 2015</u>
Buildings and improvements	\$ 42,760	\$ -0-	\$ 42,760
Construction in progress	11,500	30,140	41,640
Equipment	28,682	-0-	28,682
Vehicles	43,809	-0-	43,809
Street lights	720	-0-	720
Water system	919,422	-0-	919,422
Sewer force main	1,125,758	-0-	1,125,758
Office Equipment	10,442	-0-	10,442
Sewer System improvements	375,959	-0-	375,959
Water plant improvements	375,283	-0-	375,283
Water well improvements	7,800	-0-	7,800
Tools & Equipment	<u>16,856</u>	<u>-0-</u>	<u>16,856</u>
 Total	 <u>\$ 2,958,991</u>	 <u>\$ 30,140</u>	 <u>2,989,131</u>
 Less accumulated depreciation			 <u>(1,416,731)</u>
 Property, plant and equipment net of accumulated depreciation			 <u>\$ 1,572,400</u>

NOTE 4: EMPLOYEE RETIREMENT PLAN

Plan description:

The District contributes to the Miscellaneous 2% at 60 Risk Pool of the California Employees Retirement System (CalPERS), a cost sharing, multiple-employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. As of July 1, 2005, the District was mandated by the State to participate in the risk pool. The risk pool combines the assets and liabilities across employers of the same risk pool to provide a method to spread the risk of uncertain gains and losses over a larger base of members. The June 30, 2003 valuations were the first pooled valuations. Benefit provisions and all other requirements are established by State statute and District resolutions. Copies of CalPERS' annual

Winterhaven Water District
Notes to the Financial Statements
June 30, 2015

NOTE 4: EMPLOYEE RETIREMENT PLAN (CONTINUED)

financial report may be obtained from their Executive Office located at, 400 P Street, Sacramento, CA 95814.

Funding policy:

The District contributes all amounts necessary to fund benefits for its employees. The contribution includes an employee portion of 7% of current covered payroll. The District is also required to contribute any actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for the year ended June 30, 2015 was 13.087%. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS. The District's contributions to CalPERS for the years ended June 30, 2015, 2014 and 2013, which were all prepaid by the District at the beginning of the year, were \$ 3,290, \$ 7,181 and \$ 11,294 respectively. These contributions were equal to the required contributions for each year.

NOTE 5: WASTEWATER TREATMENT SERVICES

Pursuant to the conditions of the 1972 agreement between the City of Yuma (the "City"), and the District, the City will furnish facilities to transmit the District's sewage to the City for treatment. The City will charge the District for operations and maintenance based on the actual costs incurred by the City which varies from billing cycle to billing cycle.

NOTE 6 – MAJOR CUSTOMER

The District had one major customer during the fiscal year ended June 30, 2015, which comprised of approximately 44% of the total sales. The District had \$ 12,488 receivable from this customer as of June 30, 2015.

NOTE 7 – SUBSEQUENT EVENTS

The management of the District have reviewed the results of operations for the period of time from its year end June 30, 2015 through December 18, 2015 the date the financial statements were available to be issued, and have determined that no adjustments are necessary to the amounts reported in the accompanying combined financial statements nor have any subsequent events occurred, the nature of which would require disclosure.

WINTERHAVEN WATER DISTRICT
STATEMENT OF NET POSITION BY FUND
As of June 30, 2015

	Water Fund	Sewer Fund
<u>ASSETS</u>		
Cash & investments	\$ (121,525)	\$ 332,573
Accounts receivable	12,549	12,548
Total Current Assets	(108,976)	345,121
Property, plant & equipment, Net of depreciation	632,759	939,641
	\$ 523,783	\$ 1,284,762
<u>LIABILITIES AND NET POSITION</u>		
<u>LIABILITIES</u>		
Accounts payable	\$ 2,922	\$ 2,922
Payroll Taxes Payable	877	876
Customer deposits	3,289	-0-
Total liabilities	7,088	3,798
<u>NET POSITION</u>		
Invested in utility plant	632,759	939,641
Unreserved (Deficit)	(116,064)	341,323
Total Net Position	\$ 516,695	\$ 1,280,964

See accountant's report regarding supplemental information.

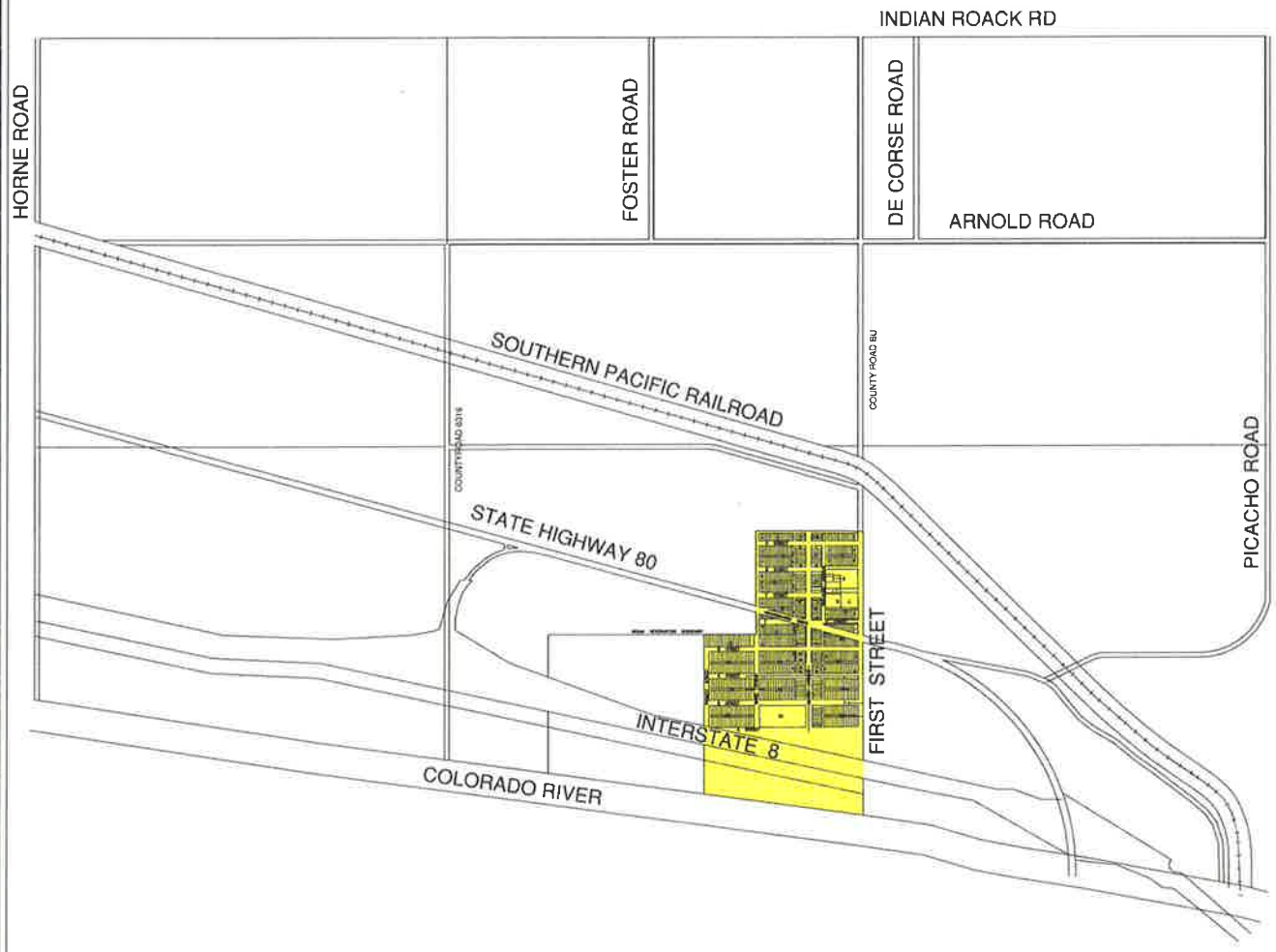
WINTERHAVEN WATER DISTRICT
STATEMENT OF OPERATING INCOME (LOSS) BY FUND
As of June 30, 2015

	<u>Water</u>	<u>Sewer</u>	<u>Trash</u>	<u>Total</u>
Operating revenues:				
Charges for services	<u>\$ 148,077</u>	<u>\$ 182,661</u>	<u>\$ 16,019</u>	<u>\$ 346,757</u>
Operating expenses:				
Bank service charges	134	215	-0-	349
Chemicals	11,454	2,147	716	14,317
Contract Labor	40,079	11,529	2,416	54,024
Depreciation expense	30,843	32,256	-0-	63,099
Director's fees	8,884	2,832	609	12,325
Electricity	11,520	5,779	63	17,362
Employee benefits	10,998	4,368	570	15,936
Freight Charge	620	-0-	-0-	620
Fuel & oil	1,720	628	161	2,509
Insurance	4,659	874	292	5,825
Lab	4,802	-0-	-0-	4,802
Office expense	8,867	2,044	423	11,334
Expense reimbursement	901	400	129	1,430
Salaries & Wages	36,356	15,149	3,699	55,204
Payroll taxes	2,110	620	116	2,846
Permit	3,378	412	7	3,797
Professional fees	7,551	1,483	467	9,501
Repairs & maintenance	2,578	6,039	177	8,794
Returned Checks	106	20	7	133
Sewer plant	-0-	40,249	-0-	40,249
Supplies	1,565	420	19	2,004
Trash Disposal	-0-	-0-	10,821	10,821
Truck repairs	7,413	2,042	377	9,832
Uniforms	119	52	23	194
Total operating expenses	<u>196,657</u>	<u>129,558</u>	<u>21,092</u>	<u>347,307</u>
Operating income (loss)	<u>\$ (48,580)</u>	<u>\$ 53,103</u>	<u>\$ (5,073)</u>	<u>\$ (550)</u>

See Accountant's Report regarding supplemental information.

EXHIBIT B

Current Sphere of Influence Boundary Map
WCWD 1-16



Winterhaven County Water District
 local agency formation commission

EXHIBIT 20