

**CASTLE ROCK COUNTY  
WATER DISTRICT  
BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2016**

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Castle Rock County Water District  
Walnut Creek, California

### *Report on Financial Statements*

We have audited the accompanying financial statements of the Castle Rock County Water District (District) as of and for the year ended June 30, 2016, 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 the 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. 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, 2016, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Change in Accounting Principles***

Management adopted the provisions of the following Governmental Accounting Standards Board Statements, which became effective during the year ended June 30, 2016 as discussed in Note 1H to the financial statements:

- Statement No. 72, *Fair Value Measurement and Application*

The emphasis of this matter does not constitute a modification to our opinions.

***Other Matters***

***Required Supplementary Information***

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. The District has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

*Maze + Associates*

Pleasant Hill, California  
August 24, 2016

CASTLE ROCK COUNTY WATER DISTRICT  
STATEMENT OF NET POSITION  
AS OF JUNE 30, 2016

ASSETS

Current Assets

Cash on Deposit		
With County Treasurer (Note 2)		\$124,620
Accounts Receivable:		
Water Usage		13,998
Service Fee		3,375
Prepaid Insurance		3,228
Other Prepaids		219
Property Taxes Receivable		404
Total Current Assets		145,844

Non-Current Assets

Capital Assets (Note 3):		
Water Pump		28,882
Water Tank & Distribution Lines		134,512
Less Accumulated Depreciation		(142,659)
Total Capital Assets, Net		20,735
Total Non-Current Assets		20,735
Total Assets		166,579

LIABILITIES

Current Liabilities

Accounts Payable		7,881
Unearned Revenue - Service Fees		3,360
Total Current Liabilities		11,241
Total Liabilities		11,241

NET POSITION (Note 4)

Net Investment in Capital Assets		20,735
Unrestricted		134,603
Total Net Position		\$155,338

See accompanying notes to financial statements

CASTLE ROCK COUNTY WATER DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2016

OPERATING REVENUES

Water Sales	\$39,687
Service Fees	14,045
	<u>53,732</u>

OPERATING EXPENSES

Water Purchases	39,977
Power Purchased for Pumping	4,114
Audit	4,650
Repairs	735
Bookkeeping	4,550
Professional Fees	4,751
Accounting Software	71
Insurance	2,409
Office Supplies	1,009
Postage and Delivery	183
Transmission and Distribution	431
Bad Debts	390
Depreciation Expense (Note 3)	2,499
Automobile Expense	25
License and Permits	90
Miscellaneous	852
	<u>66,736</u>

Total Operating Expenses

NET OPERATING LOSS (13,004)

NONOPERATING REVENUE (EXPENSES)

Property Taxes	13,344
Tax Administration Fee	(110)
Other	(43)
	<u>13,191</u>

Total Nonoperating Revenue

CHANGES IN NET POSITION 187

NET POSITION AT BEGINNING OF YEAR 155,151

NET POSITION AT END OF YEAR \$155,338

See accompanying notes to financial statements

CASTLE ROCK COUNTY WATER DISTRICT  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2016

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers and users	\$49,451
Payments to suppliers	<u>(67,805)</u>
Cash Flows provided by Operating Activities	<u>(18,354)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Property taxes	13,344
Property tax administrative fee	(110)
Other	<u>(43)</u>
Net Cash Flows from Noncapital Financing Activities	<u>13,191</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Purchases of capital assets	<u>(3,533)</u>
Net Cash Flows from Capital and Related Financing Activities	<u>(3,533)</u>
<b>NET CASH FLOWS</b>	(8,696)
Cash and cash equivalents at beginning of year	<u>133,316</u>
Cash and cash equivalents at end of year	<u><u>\$124,620</u></u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED ) BY OPERATING ACTIVITIES</b>	
Operating loss	(\$13,004)
Adjustment to reconcile operating loss to net cash provided (used) by operating activities:	
Depreciation expense	2,499
(Increase) in accounts receivable	(3,952)
(Increase) in property tax receivable	(329)
Increase in accounts payable	(1,550)
(Increase) in prepaids	<u>(2,018)</u>
Net cash provided (used) by operating activities	<u><u>(\$18,354)</u></u>

See accompanying notes to financial statements

**CASTLE ROCK COUNTY WATER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***A. General***

The Castle Rock County Water District (the District) is a public corporation, organized and existing under the constitution and laws of the State of California. The District supplies water to residents for domestic and agricultural use. During the fiscal year ended June 30, 2016 the District supplied water to fifty-six properties, all of which are located in Walnut Creek, California. The financial statements of the District have been prepared in conformity with generally accepted accounting principles as applied to governmental units.

***B. Basis of Presentation and Accounting***

Basic Financial Statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States.

These Standards require that the financial statements described below be presented.

The Statement of Net Position and the Statement of Activities display information about the Castle Rock County Water District. Business-type activities are financed in whole or in part by fees charged to external parties.

Proprietary fund operating revenues, such as water sales and service fees, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as property taxes, result from nonexchange transactions or ancillary activities.

Enterprise funds are accounted for on the flow of economic resources measurement focus utilizing full accrual accounting. Under this method, assets and revenues are recorded when earned, and liabilities and expenses are recorded when the related obligations are incurred.

***C. Accounting Method***

The District's accounting records are maintained on a hybrid basis. Revenue is recognized by the accrual method, as billed and expenses are recorded on the cash basis as paid, with conversion to the accrual method for year-end financial statement presentation.

***D. Cash and Cash Equivalents***

For purposes of the statement of cash flows the District defines cash and cash equivalents to include all cash and temporary investments with original maturities of three months or less from the date of acquisition, including restricted assets, and all pooled deposits.

***E. Receivables***

Accounts receivable arise from billings to customers for water usage and monthly service fees. Uncollectible amounts from individual customers are not significant.



**CASTLE ROCK COUNTY WATER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***F. Capital Assets***

Capital assets are those purchased or acquired with a useful life greater than one year and an original cost greater than \$300. These assets are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the asset's lives are not capitalized, but are expensed as incurred. Depreciation on all capital assets is computed using a straight-line basis over the following estimated useful lives:

Capital Asset	Useful Life
Utility Plant Water Pump	10 years
Utility Plant Water Tank and Distribution Lines	5-30 years

***G. Use of 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.

***H. Fair Value Measurements***

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs – other than quoted prices included within level 1 – that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

**CASTLE ROCK COUNTY WATER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2016**

**NOTE 2 - CASH AND INVESTMENTS**

The District's cash and investments is controlled and invested by the Contra Costa County Treasurer. Investments are stated at a level two fair value as required by generally accepted accounting principles. Pooled investment earning are allocated by the Treasurer to each fund based on the cash and investment balances in these funds at the end of each accounting period. At June 30, 2016, the District's cash and investments amounted to \$124,620. The composition of the County investment pool can be found in the Contra Costa County Treasurer's Investment Pool Market Value Report as of June 30, 2016, however the majority of the Pool is comprised of collateralized securities (Treasury Notes, Bills, Federal Agencies and Commercial Paper).

**NOTE 3 - CAPITAL ASSETS**

*A. Summary*

The following is a summary of capital assets as of June 30, 2016:

	<u>Balance at June 30, 2015</u>	<u>Additions</u>	<u>Balance at June 30, 2016</u>
Capital assets being depreciated:			
Water Pump	\$28,882		\$28,882
Water Tank and Distribution Lines	<u>130,979</u>	<u>\$3,533</u>	<u>134,512</u>
Total capital assets being depreciated	<u>159,861</u>	<u>3,533</u>	<u>163,394</u>
Less accumulated depreciation for:			
Water Pump	25,023	634	25,657
Water Tank and Distribution Lines	<u>115,137</u>	<u>1,865</u>	<u>117,002</u>
Total accumulated depreciation	<u>140,160</u>	<u>\$2,499</u>	<u>142,659</u>
Net capital assets being depreciated	<u>19,701</u>		<u>20,735</u>
Total Capital Assets, net	<u>\$19,701</u>		<u>\$20,735</u>

**CASTLE ROCK COUNTY WATER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2016**

**NOTE 4 – NET POSITION AND FUND BALANCES**

*Net Position*

Net Position is the excess of all the District’s assets over all its liabilities, regardless of fund. Net Position is divided into three captions under GASB Statement 34. These captions apply only to Net Position and are described below:

*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* describes the portion of Net Position, if any, 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 fees charged for the provision of future water resources.

*Unrestricted* describes the portion of Net Position which is not restricted to use.

**NOTE 5 - INSURANCE**

The District is insured by General Insurance Company of America. The following is a summary of the insurance coverage for the year ended June 30, 2016:

Type of Coverage	Coverage Limit
Commercial General Liability	\$2,000,000 general aggregate
Workers' Compensation	\$1,000,000 each occurrence