

**WESTWOOD
COMMUNITY SERVICES DISTRICT**

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
for the year ended June 30, 2020**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Westwood Community Services District
Westwood, California

Report on the Financial Statements

We have audited the accompanying financial statements of the enterprise activities and the governmental activities of Westwood Community Services District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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 the State Controller's Minimum Audit Requirements for California Special Districts. 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 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, 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 enterprise activities and the governmental activities of Westwood Community Services District as of June 30, 2020, and the results of its operations and its cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America, as well as the 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 Management's Discussion and Analysis, and other required supplementary information as listed in the Table of Contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Management has omitted the Management's Discussion and Analysis. Our opinion on the basic financial statements is not affected by this missing information. We have applied certain limited procedures to the other 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 our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

The supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of Westwood Community Services District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Robert W. Johnson, An Account Corporation

Citrus Heights, California

October 6, 2020

WESTWOOD COMMUNITY SERVICES DISTRICT
STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET
June 30, 2020

ASSETS AND DEFERRED OUTFLOWS	Governmental Fund		Statement of Net Position	Enterprise Fund	Total
	General Fund	Adjustments			
Current assets:					
Cash - checking	\$ -	\$ -	\$ -	\$ 62,973	\$ 62,973
- savings	-	-	-	707,451	707,451
- certificates	-	-	-	182,230	182,230
Accounts receivable:					
Utilities	-	-	-	103,052	103,052
Other	13,783	-	13,783	-	13,783
Donation	11,242	-	11,242	-	11,242
Prepaid expenses	-	-	-	-	-
Total current assets	<u>25,025</u>	<u>-</u>	<u>25,025</u>	<u>1,055,706</u>	<u>1,080,731</u>
Interfund receivable	<u>276,179</u>	<u>-</u>	<u>276,179</u>	<u>-</u>	<u>276,179</u>
Capital assets, at cost (Notes 5 and 6):					
Water utility plant	-	-	-	2,786,819	2,786,819
Sewer utility plant	-	-	-	2,862,667	2,862,667
Park equipment	-	216,163	216,163	-	216,163
Fire department	-	819,992	819,992	-	819,992
	-	<u>1,036,155</u>	<u>1,036,155</u>	<u>5,649,486</u>	<u>6,685,641</u>
Work in progress	-	-	-	63,464	63,464
Less, accumulated depreciation	<u>-</u>	<u>819,155</u>	<u>819,155</u>	<u>3,462,340</u>	<u>4,281,495</u>
	<u>-</u>	<u>217,000</u>	<u>217,000</u>	<u>2,250,610</u>	<u>2,467,610</u>
Restricted cash (Note 4)	<u>9,494</u>	<u>-</u>	<u>9,494</u>	<u>50,376</u>	<u>59,870</u>
Net pension asset (Note 7)	<u>-</u>	<u>-</u>	<u>-</u>	<u>322,283</u>	<u>322,283</u>
Deferred outflows (Note 7)	<u>-</u>	<u>78,867</u>	<u>78,867</u>	<u>81,229</u>	<u>160,096</u>
	<u>\$ 310,698</u>	<u>\$ 295,867</u>	<u>\$ 606,565</u>	<u>\$3,760,204</u>	<u>\$4,366,769</u>

See notes to financial statements

LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE/NET POSITION	Governmental Fund		Statement of Net Position	Enterprise Fund	Total
	General Fund	Adjustments			
Current liabilities:					
Current portion of long- term debt (Note 6)	\$ -	\$ 6,836	\$ 6,836	\$ -	\$ 6,836
Accounts payable	-	-	-	6,169	6,169
Accrued liabilities:					
Vacation pay	568	-	568	10,662	11,230
Total current liabilities	568	6,836	7,404	16,831	24,235
Interfund payable	-	-	-	276,179	276,179
Net pension liability (Note 7)	-	391,918	391,918	-	391,918
Long-term debt, net of current portion (Note 6)	-	59,614	59,614	-	59,614
Deferred inflows (Note 7)	-	54,515	54,515	85,760	140,275
Total liabilities and deferred inflows	568	512,883	513,451	378,770	892,221
Fund balance (Notes 10 and 11):					
Restricted	9,494	(9,494)	-		
Committed	-	-	-		
Unassigned	300,636	(300,636)	-		
Total fund balances	310,130	(310,130)	-		
	\$ 310,698				
Net position (Notes 10 and 11):					
Net investment in capital assets		150,550	150,550	2,250,610	2,401,160
Restricted		9,494	9,494	-	9,494
Unrestricted		(66,930)	(66,930)	1,130,824	1,063,894
		\$ 93,114	\$ 93,114	\$3,381,434	\$3,474,548

WESTWOOD COMMUNITY SERVICES DISTRICT
SUMMARY STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION
for the year ended June 30, 2020

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	
<u>Primary government:</u>		<u>Charges for</u>	<u>Grants and</u>
		<u>Services</u>	<u>Contributions</u>
Governmental activities:			
Fire	\$ 324,186	\$ 53,376	\$ 114,379
Street lights	12,729	-	-
Park	<u>5,942</u>	<u>158</u>	<u>-</u>
Total governmental activities	<u>342,857</u>	<u>53,534</u>	<u>114,379</u>
Business-type activities:			
Water	452,298	442,422	-
Sewer	<u>392,400</u>	<u>427,711</u>	<u>-</u>
Total business-type activities	<u>844,698</u>	<u>870,133</u>	<u>-</u>
Total primary government	<u>1,187,555</u>	<u>923,667</u>	<u>114,379</u>

General revenues (expenses):

Interest expense
Property taxes
Interest income
Rent
Other income

Total general revenues

Changes in net position

Net position – beginning

Net position - ending

See notes to financial statements

Net (Expenses) Revenue and Changes in Net Position

Primary Government

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$(156,431)		\$(156,431)
(12,729)		(12,729)
(5,784)		(5,784)
<u>(174,944)</u>		<u>(174,944)</u>
-	\$(9,876)	(9,876)
<u>-</u>	<u>35,311</u>	<u>35,311</u>
-	<u>25,435</u>	<u>25,435</u>
<u>(174,944)</u>	<u>25,435</u>	<u>(149,509)</u>
(2,921)	-	(2,921)
190,606	-	190,606
3,732	-	3,732
22,001	-	22,001
<u>-</u>	<u>-</u>	<u>-</u>
<u>213,418</u>	<u>-</u>	<u>213,418</u>
38,474	25,435	63,909
<u>54,640</u>	<u>3,355,999</u>	<u>3,410,639</u>
<u>\$ 93,114</u>	<u>\$3,381,434</u>	<u>\$3,474,548</u>

WESTWOOD COMMUNITY SERVICES DISTRICT
STATEMENT OF CASH FLOWS
ENTERPRISE FUND
for the year ended June 30, 2020

Cash flows from operating activities:		
Receipts from customers		\$ 856,794
Payments to suppliers		(378,089)
Payments to employees		<u>(283,328)</u>
Net cash provided by operating activities		195,377
Cash flows from noncapital financing activities:		
Receipts from property taxes and other nonoperating income		-
Cash flows from capital and related financing activities:		
Capital contributions	\$ -	
Purchase of capital assets	(49,358)	
Principal paid on long-term debt	-	
Interest paid on capital debt	<u>-</u>	(49,358)
Cash flows from investing activities:		
Interest income		<u>-</u>
Net increase in cash and cash equivalents		146,019
Cash and cash equivalents:		
Beginning of year		<u>857,011</u>
End of year		<u>\$1,003,030</u>
Reconciliation of cash and cash equivalents to statement of net position:		
Cash and cash equivalents		\$ 952,654
Restricted – cash and cash equivalents		<u>50,376</u>
		<u>\$1,003,030</u>

See notes to financial statements

WESTWOOD COMMUNITY SERVICES DISTRICT
STATEMENT OF CASH FLOWS, continued
ENTERPRISE FUND
for the year ended June 30, 2020

Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)		\$ 25,435
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	\$ 119,565	
Changes in operating assets, liabilities, deferred inflows and deferred outflows:		
Receivables	(13,339)	
Accounts payable	(7,384)	
Accrued liabilities	(5,117)	
Interfund payable	70,621	
Net pension asset and related deferreds	<u>5,596</u>	
		<u>169,942</u>
Net cash provided by operating activities		\$ <u>195,377</u>
Supplementary information:		
Cash paid for interest		\$ <u>-</u>

See notes to financial statements

WESTWOOD COMMUNITY SERVICES DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL
FUND REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES
FIRE, PARKS & STREET LIGHTS
for the year ended June 30, 2020

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Program expenditures/expenses:			
Supplies and services	\$ 303,502	\$ 15,341	\$ 318,843
Long-term debt - principal	6,573	(6,573)	-
- interest	2,921	-	2,921
Capital outlay	-	-	-
Depreciation	<u>-</u>	<u>24,014</u>	<u>24,014</u>
Total program expenditures/ expenses	<u>312,996</u>	<u>32,782</u>	<u>345,778</u>
Program revenues:			
Charges for services -- ambulance rental	<u>43,625</u>	<u>-</u>	<u>43,625</u>
Total program revenues	<u>43,625</u>	<u>-</u>	<u>43,625</u>
General revenues:			
Grants	114,379	-	114,379
Interest income	3,732	-	3,732
Donations	339	-	339
Rent	22,001	-	22,001
Property taxes	190,606	-	190,606
Other	<u>9,570</u>	<u>-</u>	<u>9,570</u>
Total general revenues	<u>340,627</u>	<u>-</u>	<u>340,627</u>
Excess of revenues over expenditures/ change in net position	71,256	(32,782)	38,474
Beginning fund balances/net position	<u>238,874</u>	<u>(184,234)</u>	<u>54,640</u>
Ending fund balances/net position	<u>\$ 310,130</u>	<u>\$(217,016)</u>	<u>\$ 93,114</u>

See notes to financial statements

WESTWOOD COMMUNITY SERVICES DISTRICT
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
FIRE DEPARTMENT
for the year ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	Favorable (Unfavorable) <u>Variance</u>
Revenues:			
Property taxes	\$ 142,724	\$ 156,606	\$ 13,882
Rent	16,079	22,001	5,922
Interest	858	3,732	2,874
Donations	979	9,570	8,591
Other	5,656	181	(5,475)
Apparatus rental	-	43,625	43,625
Grants	<u>-</u>	<u>114,379</u>	<u>114,379</u>
Total revenues	<u>166,296</u>	<u>350,094</u>	<u>183,798</u>
Expenditures:			
Supplies and services	173,414	285,720	(112,306)
Capital outlay	2,000	-	2,000
Contingency	-	-	-
Loan – principal	5,000	6,573	(1,573)
Loan - interest	<u>3,791</u>	<u>2,921</u>	<u>870</u>
Total expenditures	<u>184,205</u>	<u>295,214</u>	<u>(111,009)</u>
Excess of revenues over (expenditures)	<u>\$ (17,909)</u>	<u>\$ 54,880</u>	<u>\$ 72,789</u>

See notes to financial statements

WESTWOOD COMMUNITY SERVICES DISTRICT
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
STREET LIGHTS
for the year ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance</u>
Revenues:			
Property taxes	\$ 13,000	\$ 13,000	\$ -
Support revenue	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>13,000</u>	<u>13,000</u>	<u>-</u>
Expenditures:			
Supplies and services	<u>13,000</u>	<u>12,729</u>	<u>271</u>
Total expenditures	<u>13,000</u>	<u>12,729</u>	<u>271</u>
Excess of revenues over (expenditures)	\$ <u>-</u>	\$ <u>271</u>	\$ <u>271</u>

See notes to financial statements

WESTWOOD COMMUNITY SERVICES DISTRICT
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
PARK
for the year ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance</u>
Revenues:			
Property taxes	\$ 11,034	\$ 21,000	\$ 9,966
Interest	-	-	-
Donations	294	-	(294)
Other	-	158	158
Support revenue	<u>-</u>	<u>-</u>	<u>-</u>
 Total revenues	 <u>11,328</u>	 <u>21,158</u>	 <u>9,830</u>
 Expenditures:			
Supplies and services	11,328	5,053	6,275
Capital outlay	-	-	-
Loan – principal	-	-	-
Loan - interest	<u>-</u>	<u>-</u>	<u>-</u>
 Total expenditures	 <u>11,328</u>	 <u>5,053</u>	 <u>6,275</u>
 Excess of revenues over (expenditures)	 <u>\$ -</u>	 <u>\$ 16,105</u>	 <u>\$ 16,105</u>

See notes to financial statements

WESTWOOD COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2020

1. Organization:

The Westwood Community Services District (the "District") was formed in 1971 by State Government Code Section 56452 to provide water, sewer, fire protection, street lighting and public recreation throughout the Westwood Community. The District's financial and administrative functions are governed by a five member Board of Directors elected by the voting population within the District.

2. Summary of Significant Accounting Policies:

The basic financial statements of Westwood Community Services District have been prepared in conformity with generally accepted accounting principles as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

Fund Accounting

The accounts of the District are organized on the basis of funds.

Operating Fund – the enterprise fund is used to account for water and sewer operations that are financed and operated in a manner similar to private business enterprises. The intent of the District is that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

Enterprise Fund:

The enterprise fund is used to account for water and sewer operations that are financed and operated in a manner similar to private business enterprises. The intent of the District is that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

WESTWOOD COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
for the year ended June 30, 2020

2. Summary of Significant Accounting Policies, continued:

Fund Accounting, continued

Governmental Fund:

The governmental fund is used to account for all financial resources of the fire department, street lights and park. This fund is also used to establish accounting control and accountability for fixed assets of the aforementioned activities.

Basis of Accounting

The basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

The District's books and accounts are based upon the Uniform System of Accounts for Public Utilities as prescribed by the Division of Local Government Fiscal Affairs of the State of California. The records are maintained and the accompanying financial statements are presented on the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Operating revenues and expenses, such as water and sewer sales along with their respective expenses, result from exchange transactions associated with the principal activity of the District. Exchange transactions are those in which each party receives and gives up essentially equal values. Management, administration and depreciation expenses are also considered operating expenses. Other revenues and expenses not included in the above categories are reported as non-operating revenues and expenses. Non-operating revenues and expenses, such as grant funding, investment income and interest expense, result from non-exchange transactions, in which, the District gives (receives) value without directly receiving (giving) value in exchange.

Depreciation

Utility plant and equipment are recorded on the basis of purchase cost. Assets acquired by contribution are recorded at estimated cost or fair market value at the date of acquisition. Internal labor and overhead are charged to asset construction cost.

Depreciation is calculated by the straight-line method over the estimated useful lives of the respective assets which range from three to seventy-five years.

WESTWOOD COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
for the year ended June 30, 2020

2. Summary of Significant Accounting Policies, continued:

Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all highly liquid debt instruments purchased with an initial maturity of three months or less to be cash equivalents, including restricted assets. Cash in banks and deposits with fiscal agents are considered to be cash and cash equivalents.

Property Taxes

The District receives property taxes from Lassen County. Property taxes become a lien on the first day of the year they are levied. Secured property tax is levied on July 1 and due in two installments, on November 1 and February 1. They become delinquent on December 10 and April 10, respectively. Unsecured property taxes are levied on July 1, and become delinquent on August 31. The District elected to receive the property taxes from the County under the Teeter Bill Program. Under this Program, the District receives 100% of the levied property taxes in periodic payments, with the County assuming responsibility for delinquencies.

Property tax revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Compensated Absences

Vested or accumulated vacation pay that is expected to be liquidated with expendable available financial resources is reported as a current liability of the fund that will pay it; and as an offsetting expense of the proprietary fund.

Budget and Budgetary Accounting

The Board of Directors annually adopts an operating budget. The operating budget is prepared on the accrual basis to match the operating statements.

WESTWOOD COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
for the year ended June 30, 2020

2. Summary of Significant Accounting Policies, continued:

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 may differ from those estimates.

Deferred Outflows of Resources

A deferred outflow of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until that future time.

Deferred Inflows of Resources

A deferred inflow of resources represents an acquisition of net position that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.

WESTWOOD COMMUNITY SERVICES DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 for the year ended June 30, 2020

3. Cash and Cash Equivalents:

Cash consists of the following at June 30, 2020:

Restricted	\$ 59,870
Unrestricted	<u>952,654</u>
	<u>\$1,012,524</u>

Deposits:

At year-end the carrying amount of the District's deposits was \$952,620 and the bank balance was \$980,047. The bank balance was covered by Federal depository insurance and was covered by collateral held in the pledging bank's trust department as mandated by State law.

Savings account	\$ 707,451
Checking (interest-bearing)	62,573
Cash on hand	400
Certificates of deposit (5)	<u>182,230</u>
	<u>\$ 952,654</u>

4. Restricted Cash:

PERS reserve	\$ 50,376
Fire Dept. reserve (3)	<u>9,494</u>
	<u>\$ 59,870</u>

WESTWOOD COMMUNITY SERVICES DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 for the year ended June 30, 2020

5. Capital Assets:

Changes in enterprise capital assets for the year ended June 30, 2020 are as follows:

	<u>Balance</u> <u>6/30/2019</u>	<u>Additions/</u> <u>Transfers</u>	<u>Disposals</u>	<u>Balance</u> <u>6/30/2020</u>
Water	\$2,786,819	\$ -	\$ -	\$2,786,819
Sewer	<u>2,862,667</u>	<u>-</u>	<u>-</u>	<u>2,862,667</u>
	<u>\$5,649,486</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$5,649,486</u>
	<u>Balance</u> <u>6/30/2019</u>	<u>Additions</u>	<u>Transfers</u>	<u>Balance</u> <u>6/30/2020</u>
Work in progress:				
Storage tank project				
- water	\$ <u>14,106</u>	\$ <u>49,358</u>	\$ <u>-</u>	\$ <u>63,464</u>

Changes in governmental capital assets for the year ended June 30, 2020 are as follows:

	<u>Balance</u> <u>6/30/2019</u>	<u>Additions/</u> <u>Transfers</u>	<u>Disposals</u>	<u>Balance</u> <u>6/30/2020</u>
Fire	\$ 819,992	\$ -	\$ -	\$ 819,992
Park	<u>216,163</u>	<u>-</u>	<u>-</u>	<u>216,163</u>
	<u>\$1,036,115</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,036,155</u>

WESTWOOD COMMUNITY SERVICES DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 for the year ended June 30, 2020

6. Long-Term Debt:

Long-term debt activities for the year ended June 30, 2020 are as follows:

	<u>2019</u>	<u>New Debt Issued</u>	<u>Debt Retired</u>	<u>2020</u>	<u>Current Portion</u>
Fire vehicle loan	\$ <u>73,023</u>	\$ <u>-</u>	\$ <u>6,573</u>	\$ <u>66,450</u>	\$ <u>6,836</u>

In April, 2010 the District entered into a loan agreement (USDA Rural Housing Service) to finance purchase of an emergency response vehicle. This loan requires an annual payment (April 1) of \$9,494 including 4% interest, through 2030. The required debt service reserve at June 30, 2020 was \$9,494.

The future annual maturities of all long-term borrowings as of June 30, 2020 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 6,836	\$ 2,658	\$ 9,494
2022	7,109	2,385	9,494
2023	7,394	2,100	9,494
2024	7,690	1,804	9,494
2025	7,997	1,497	9,494
2026-2029	<u>29,424</u>	<u>2,657</u>	<u>32,081</u>
	<u>\$ 66,450</u>	<u>\$ 13,101</u>	<u>\$ 79,551</u>

WESTWOOD COMMUNITY SERVICES DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 for the year ended June 30, 2020

7. Defined Benefit Retirement Plan:

A. General Information About the Pension Plan

Plan Description

The District contributes to the California Public Employees Retirement System (CalPERS), a cost sharing multiple-employer defined benefit pension plan. The District participates in the miscellaneous 2% at 60 risk pool (2% at 62 – PEPRA) and the safety 2% at 60 risk pool (2% at 62 – PEPRA). 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 employers within the State of California. CalPERS require agencies with less than 100 active members in the plan to participate in the risk pool. All District permanent employees are eligible to participate in the System. Benefits vest after five years of service. District employees who retire at 50 to 63 and with over 5 years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1.426 to 2.418 percent of their average salary during their last 36 months of employment. A menu of benefits provision as well as other requirements is established by State Statutes within the Public Employees Retirement Law. The plan selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through District resolution. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

The Plans' provisions and benefits in effect at June 30, 2020, are summarized as follows:

	<u>Miscellaneous</u>	<u>Safety</u>
Benefit formula	2% at 60 / 2% at 62	2% at 60 / 2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50 to 70	50 to 70
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.426% to 2.418%
Required employee contribution rates	7% / 6.75%	9% / 13%
Required employer contribution rates	8.794% / 7.732%	18.152% / 13.044%

WESTWOOD COMMUNITY SERVICES DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 for the year ended June 30, 2020

7. Defined Benefit Retirement Plan, continued:

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2020, the contributions were as follows:

Contributions – employer	\$ <u>51,252</u>
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B. *Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions:*

As of June 30, 2020, the District reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

	<u>Proportionate Share of Net Pension Liability/(Asset)</u>
Miscellaneous	\$(<u>322,283</u>)
Safety	\$ <u>391,918</u>

WESTWOOD COMMUNITY SERVICES DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 for the year ended June 30, 2020

7. Defined Benefit Retirement Plan, continued:

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2019, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

The District's proportionate share of the net pension liability for the Plan as of June 30, 2020 was as follows:

	Misc./Safety Plan
Proportion – June 30, 2018	0.00068%
Proportion – June 30, 2019	0.00075%
Change – Increase/(Decrease)	(0.00007%)

At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 51,252	\$ -
Differences between actual and expected experience	45,220	-
Changes in assumptions	22,324	-
Net differences between projected and actual earnings on plan investments	-	10,839
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	-	123,664
Changes in employer's proportions	41,300	5,772
Total	\$ 160,096	\$ 140,275

WESTWOOD COMMUNITY SERVICES DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 for the year ended June 30, 2020

7. Defined Benefit Retirement Plan, continued:

\$51,252 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ended</u> <u>June 30</u>	
2021	\$ 1,438
2022	(29,537)
2023	(5,485)
2024	-
Thereafter	-

Actuarial Assumptions – The total pension liabilities in the June 30, 2018 actuarial valuations were determined using the following actuarial assumptions:

	<u>Miscellaneous</u>	<u>Safety</u>
Valuation date	June 30, 2018	June 30, 2018
Measurement date	June 30, 2019	June 30, 2019
Actuarial Cost Method	Entry-Age Normal Cost Method	
Actuarial Assumptions:		
Discount rate	7.15%	7.15%
Inflation	2.75%	2.75%
Payroll Growth	3.0%	3.0%
Projected Salary Increase	3.3%-14.2%	3.3%-14.2%

WESTWOOD COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
for the year ended June 30, 2020

7. Defined Benefit Retirement Plan, continued:

Discount Rate

The discount rate used to measure the total pension liability was 7.15% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.15 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.30 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

WESTWOOD COMMUNITY SERVICES DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 for the year ended June 30, 2020

7. Defined Benefit Retirement Plan, continued:

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1-10(a)</u>	<u>Real Return Years 11+(b)</u>
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	12.0%	6.83%	6.95%
Real Estate	11.0%	4.50%	5.13%
Infrastructure and Forestland	3.0%	4.50%	5.09%
Liquidity	<u>2.0%</u>	-0.55%	-1.05%
Total	<u>100%</u>		

(a) An expected inflation of 2.5% used for this period.

(b) An expected inflation of 3.0% used for this period.

WESTWOOD COMMUNITY SERVICES DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 for the year ended June 30, 2020

7. Defined Benefit Retirement Plan, continued:

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in Discount Rate

The following presents the District's proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

1% Decrease	6.15%
Net Pension Liability (Asset)	\$ 76,652
Current Discount Rate	7.15%
Net Pension Liability (Asset)	\$ 69,634
1% Increase	8.15%
Net Pension Liability (Asset)	\$ 64,969

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

8. Risk of Loss:

Westwood Community Services District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; and injuries to employees. During the 2020 fiscal year, the District purchased certain commercial insurance coverages to provide for these risks.

9. Subsequent Events:

Management has evaluated subsequent events through October 6, 2020, the date these June 30, 2020 financial statements were available to be issued.

WESTWOOD COMMUNITY SERVICES DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 for the year ended June 30, 2020

10. Net Position:

Net position at June 30, 2020 is analyzed as follows:

	<u>Governmental Fund</u>	<u>Enterprise Fund</u>	<u>Total</u>
Net investment in capital assets	\$ <u>150,550</u>	\$ <u>2,250,610</u>	\$ <u>2,401,160</u>
Restricted -- debt service	<u>9,494</u>	<u>-</u>	<u>9,494</u>
Unrestricted:			
Designated by Board:			
Water reserve	-	64,400	64,400
Sewer reserve	<u>-</u>	<u>53,666</u>	<u>53,666</u>
	-	118,066	118,066
Undesignated	<u>(66,930)</u>	<u>1,012,758</u>	<u>945,828</u>
	<u>(66,930)</u>	<u>1,130,824</u>	<u>1,063,894</u>
Total net position (deficit)	\$ <u>93,114</u>	\$ <u>3,381,434</u>	\$ <u>3,474,548</u>

WESTWOOD COMMUNITY SERVICES DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 for the year ended June 30, 2020

11. Equity/(Fire):

General fund:

Restricted – debt service:	\$ 9,494
Committed:	-
Unassigned:	<u>300,636</u>
	<u>\$ 310,130</u>

Statement of Net Position:

Total net position consist of:

Net investment in capital assets:	\$ 150,550
Restricted – debt service:	9,494
Unrestricted:	
Board designated:	\$ -
Undesignated:	<u>(66,930)</u>
	<u>(66,930)</u>
	<u>\$ 93,114</u>

12. Rescinding of Cease and Desist:

A cease and desist order for the Westwood Community Services District Wastewater Treatment Plant was rescinded following a public hearing Friday, Aug. 2, 2019 by the California Regional Water Quality Control Board, Central Valley Region in Rancho Cordova, California. The order was adopted on Aug. 2, 2007. The meeting notes read: “The wastewater collection system was in a condition of disrepair that allowed for discharge and bypass of untreated wastewater to the environment. Between June 2007 and January 2010, the discharger completed over \$1 million in upgrades to its collection system and resolved the problems. Therefore, it is appropriate to rescind Cease and Desist Order R5-2007-0099.”

SUPPLEMENTARY INFORMATION

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WESTWOOD COMMUNITY SERVICES DISTRICT
PRINCIPAL OFFICIALS
for the year ended June 30, 2020

Board of Directors:

MaryAnn Hasselwander	President
Robert Compton	Vice President
Sheri Binswanger	Director
David Escobar, Jr.	Director
Neil Young	Director

Management:

Joseph Johnstun	General Manager
Robert Baehler	Assistant GM
Susan Coffi	Secretary
Forest Duerksen	Fire Chief

WESTWOOD COMMUNITY SERVICES DISTRICT
SCHEDULE OF DETAILED STATEMENT OF ACTIVITIES AND CHANGES IN NET
POSITION
for the year ended June 30, 2020

	Enterprise Fund		
	Water	Sewer	Combined
Operating revenues:			
Water sales – residential	\$ 390,479	\$ -	\$ 390,479
Water sales – other	37,903	-	37,903
Sewer service	-	427,308	427,308
Fees, net	408	403	811
Donations	-	-	-
Other	13,632	-	13,632
Grants	-	-	-
Apparatus rental	-	-	-
Total operating revenues	<u>442,422</u>	<u>427,711</u>	<u>870,133</u>
Operating expenses:			
Pumping	113,007	-	113,007
Water treatment	38,225	-	38,225
Transmission and distribution	144,910	-	144,910
Administrative and general	78,096	94,622	172,718
Depreciation	78,060	41,505	119,565
Collection	-	256,273	256,273
Supplies and services	-	-	-
Total operating expenses	<u>452,298</u>	<u>392,400</u>	<u>844,698</u>
Operating income (loss)	<u>(9,876)</u>	<u>35,311</u>	<u>25,435</u>
Non-operating revenue (expenses):			
Interest income	-	-	-
Property taxes	-	-	-
Rent	-	-	-
Interest expense	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Income (loss) before contributions (carried forward)	<u>(9,876)</u>	<u>35,311</u>	<u>25,435</u>

Governmental Fund				
<u>Fire</u>	<u>Street Lights</u>	<u>Park</u>	<u>Combined</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ 390,479
-	-	-	-	37,903
-	-	-	-	427,308
-	-	-	-	811
181	-	158	339	339
9,570	-	-	9,570	23,202
114,379	-	-	114,379	114,379
<u>43,625</u>	<u>-</u>	<u>-</u>	<u>43,625</u>	<u>43,625</u>
<u>167,755</u>	<u>-</u>	<u>158</u>	<u>167,913</u>	<u>1,038,046</u>
-	-	-	-	113,007
-	-	-	-	38,225
-	-	-	-	114,910
12,294	-	-	12,294	185,012
23,125	-	889	24,014	143,579
-	-	-	-	256,273
<u>288,767</u>	<u>12,729</u>	<u>5,053</u>	<u>306,549</u>	<u>306,549</u>
<u>324,186</u>	<u>12,729</u>	<u>5,942</u>	<u>342,857</u>	<u>1,187,555</u>
<u>(156,431)</u>	<u>(12,729)</u>	<u>(5,784)</u>	<u>(174,944)</u>	<u>(149,509)</u>
3,732	-	-	3,732	3,732
156,606	13,000	21,000	190,606	190,606
22,001	-	-	22,001	22,001
<u>(2,921)</u>	<u>-</u>	<u>-</u>	<u>(2,921)</u>	<u>(2,921)</u>
<u>179,418</u>	<u>13,000</u>	<u>21,000</u>	<u>213,418</u>	<u>213,418</u>
22,987	271	15,216	38,474	63,909

WESTWOOD COMMUNITY SERVICES DISTRICT
 SCHEDULE OF DETAILED STATEMENT OF ACTIVITIES AND CHANGES IN NET
 POSITION, continued
 for the year ended June 30, 2020

	Enterprise Fund		
	Water	Sewer	Combined
Income (loss) before contributions (brought forward)	\$(9,876)	\$ 35,311	\$ 25,435
Capital contributions/capital grant	-	-	-
Changes in net position	<u>\$(9,876)</u>	<u>\$ 35,311</u>	25,435
Total net position:			
Beginning			<u>3,355,999</u>
Ending			<u>\$3,381,434</u>

<u>Governmental Fund</u>				
<u>Fire</u>	<u>Street Lights</u>	<u>Park</u>	<u>Combined</u>	<u>Total</u>
\$ 22,987	\$ 271	\$ 15,216	\$ 38,474	\$ 63,909
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$ <u>22,987</u>	\$ <u>271</u>	\$ <u>15,216</u>	38,474	63,909
			<u>54,640</u>	<u>3,410,639</u>
			\$ <u>93,114</u>	\$ <u>3,474,548</u>

REQUIRED SUPPLEMENTARY INFORMATION

WESTWOOD COMMUNITY SERVICES DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET
PENSION LIABILITY
As of June 30, 2020
Last 10 years (1)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Proportion of the net pension liability/(asset)	0.00068%	0.00039%	0.00074%	0.00039%	(0.01326)%
Proportionate share of the net pension liability/(asset)	\$ 69,634	\$ 37,119	\$ 74,145	\$ 33,710	\$(125,881)
Covered – employee payroll	\$ 281,327	\$ 290,956	\$ 279,084	\$ 229,509	\$ 229,509
Proportionate Share of the net pension liability as percentage of covered-employee payroll	24.752%	12.757%	26.567%	14.689%	(100.736)%
Plan's fiduciary net position	\$2,796,448	\$2,734,472	\$2,620,914	\$2,471,081	\$2,489,834
Plan fiduciary net position as a percentage of the total pension liability	97.57%	98.66%	97.25%	98.65%	120.07%

Notes to Schedule:

Changes in assumptions: None

(1) Fiscal year 2016 was the 1st year of implementation, therefore only five years are shown.

WESTWOOD COMMUNITY SERVICES DISTRICT
SCHEDULE OF CONTRIBUTIONS
As of June 30, 2020
Last 10 years (1)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution (actuarially determined)	\$ 51,252	\$ 20,759	\$ 22,667	\$ 20,520	\$ 47,512
Contributions in relation to the actuarially determined contributions	<u>51,252</u>	<u>20,759</u>	<u>22,667</u>	<u>20,520</u>	<u>58,371</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$(10,859)</u>
Covered – employee payroll	\$281,327	\$290,956	\$279,084	\$233,508	\$229,509
Contributions as a percentage of covered employee payroll	9.79%	7.13%	8.12%	8.79%	25.43%
Notes to Schedule: Valuation date:	6/30/18	6/30/17	6/30/16	6/30/15	6/30/14

Methods and assumptions used to determine contribution rates:

Amortization method	Entry Age Normal Cost Method
Remaining amortization period	
Asset valuation method	Market Value
Inflation	2.75%
Salary increases	Varies by Entry Age and Service
Investment rate of return	7.15% Net of Pension Plan Investment and Admin. Expenses

(1) Fiscal year 2016 was the 1st year of implementation, therefore only five years are shown.