

BYRON SANITARY DISTRICT

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

ROBERT W. JOHNSON
Certified Public Accountant

TABLE OF CONTENTS

	<u>Pages</u>
Independent Auditor's Report	1-2
Financial Statements:	
Statement of Net Position	3
Statement of Revenues, Expenses and Changes in Net Position	4
Statement of Cash Flows	5-6
Notes to Financial Statements	7-13
Supplemental Information:	
Operating expenses	15
Principal Officials	16



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Byron Sanitary District
Byron, California

Report on the Financial Statements

We have audited the accompanying financial statements of Byron Sanitary 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 of 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 financial position of Byron Sanitary District as of June 30, 2020, and the results of its operations and its cash flows 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

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

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 Byron Sanitary 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 Accountant Corp

Citrus Heights, California
August 4, 2020

BYRON SANITARY DISTRICT
STATEMENT OF NET POSITION
June 30, 2020

ASSETS

Current assets:

Cash and cash equivalents (Note 3)	\$1,697,242
Prepaid expense	<u>2,929</u>

Total current assets	1,700,171
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Capital assets, at cost (Notes 4 and 5)	\$4,761,107	
Less, accumulated depreciation	<u>1,287,509</u>	
		3,473,598

Other assets:

Restricted cash (Note 3)	<u>168,208</u>
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\$5,341,977

See notes to financial statements

LIABILITIES AND NET POSITION

Current liabilities:

Current portion of long-term debt (Note 5)		\$ 70,000
Accounts payable		262
Trust funds		<u>25,933</u>
Total current liabilities		96,195

Long-term debt, net of current portion (Note 5)		<u>2,010,000</u>
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Total liabilities		2,106,195
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Net position (Note 7):

Net investment in capital assets	\$1,393,598	
Restricted	246,000	
Unrestricted	<u>1,596,184</u>	<u>3,235,782</u>
		<u>\$5,341,977</u>

BYRON SANITARY DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
for the year ended June 30, 2020

Operating revenues:		
Sewer charges		\$ 420,845
Franchise fees		9,599
Other		<u>-</u>
Total operating revenues		430,444
Operating expenses:		
Collection	\$ 27,400	
Treatment	123,544	
Administration and general	38,877	
Depreciation	<u>117,691</u>	
Total operating expenses		<u>307,512</u>
Operating income		122,932
Non-operating revenues (expenses):		
Property taxes	44,744	
Interest income	18,537	
Interest expense	<u>(98,238)</u>	
		<u>(34,957)</u>
Income (loss) before contributions		87,975
Contributions		<u>-</u>
Change in net position		87,975
Total net position:		
Beginning		<u>3,147,807</u>
Ending		<u>\$3,235,782</u>

See notes to financial statements

BYRON SANITARY DISTRICT
STATEMENT OF CASH FLOWS
for the year ended June 30, 2020

Cash flows from operating activities:		
Receipts from customers and other		\$ 430,444
Payments to suppliers		(163,629)
Payments to employees		<u> -</u>
Net cash provided by operating activities		266,815
Cash flows from noncapital financing activities:		
Property taxes and other		44,744
Cash flows from capital and related financing activities:		
Loan repayment	\$(65,000)	
Purchase capital assets	(23,903)	
Interest expense - loans	<u>(98,238)</u>	
		(187,141)
Cash flows from investing activities:		
Interest income		<u>18,537</u>
Net increase in cash and cash equivalents		142,955
Cash and cash equivalents:		
Beginning of year		<u>1,722,495</u>
End of year		<u>\$ 1,865,450</u>

See notes to financial statements

BYRON SANITARY DISTRICT
STATEMENT OF CASH FLOWS, continued
for the year ended June 30, 2020

Reconciliation of operating income to net cash provided by operating activities:		
Operating income		\$ 122,932
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	\$ 117,691	
Changes in operating assets and liabilities:		
Prepaid expenses	(3)	
Payables	262	
Trust funds	<u>25,933</u>	
		<u>143,883</u>
Net cash provided by operating activities		<u>\$ 266,815</u>
Supplementary information:		
Cash paid for interest		<u>\$ 98,238</u>

See notes to financial statements

BYRON SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2020

1. Organization:

Byron Sanitary District (the “District”) was formed in 1948 and provides sewer service and refuse collection to the residents of the District. 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 Byron Sanitary 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 District is an enterprise fund. All operations are accounted for in an enterprise fund.

Enterprise Fund – The enterprise fund is used to account for 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.

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.

BYRON SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
for the year ended June 30, 2020

2. Summary of Significant Accounting Policies, continued:

Basis of Accounting, continued

Operating revenues and expenses, such as sewer sales along with sewer 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

Capital assets are recorded on the basis of purchase cost. Assets acquired by contributions are recorded at estimated cost or fair market value at the date of acquisition.

Depreciation is calculated by the straight-line method over the estimated useful lives of the respective assets.

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, deposits in the State of California Local Agency Investment Fund (LAIF) and deposits with fiscal agents are considered to be cash and cash equivalents.

BYRON SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
for the year ended June 30, 2020

2. Summary of Significant Accounting Policies, continued:

Property Taxes

The District receives property taxes from Contra Costa County. Property taxes receivable are recorded in the fiscal year for which the tax is levied based on the assessed value as of September 1 of the preceding fiscal year. They become a lien on the first day of the year they are levied. Secured property tax is levied on September 1 and due in two installments, on November 1 and March 1. They become delinquent on December 10 and April 10, respectively. Unsecured property taxes are due 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. The District uses the same program with the county for customer sewer charges.

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.

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.

Investments

Investments consist principally of a money market checking account with a bank. The District has also invested funds in the Local Agency Investment Fund (LAIF) which is a Pooled Money Investment Account held with the State of California. Investments are stated at fair value. Such investments are within the State statutes and the District's investment policy.

BYRON SANITARY DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 for the year ended June 30, 2020

2. Summary of Significant Accounting Policies, continued:

Net Position

Net position is classified in the following categories:

Net Investment in capital assets – groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce this category.

Restricted – presents external restrictions imposed by creditors, grantors, contributors or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted – represents the net position of the District, which are not restricted or invested in capital assets net of related debt.

3. Cash and Cash Equivalents:

At year-end the carrying amount of the District’s deposits was \$1,865,470 and the bank balance was \$1,880,032. The bank balance was covered by Federal depository insurance and collateral held in the pledging bank’s trust department as mandated by State law.

	<u>Balance June 30, 2020</u>
Unrestricted:	
Checking (2)	\$1,694,976
LAIF	2,266
Restricted:	
Trust Bank – bond reserve	<u>168,208</u>
	<u>\$1,865,450</u>

BYRON SANITARY DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 for the year ended June 30, 2020

4. Capital Assets:

At June 30, 2020 changes in capital assets are as follows:

	<u>Balance</u> <u>6-30-19</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>6-30-20</u>
Land	\$ 73,950	-	-	\$ 73,950
Plant and equipment	<u>4,663,254</u>	<u>23,903</u>	<u>-</u>	<u>4,687,157</u>
	<u>\$4,737,204</u>	<u>\$ 23,903</u>	<u>\$ -</u>	<u>\$4,761,107</u>

5. Long-term Debt:

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

	<u>Balance</u> <u>6/30/19</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>6/30/20</u>	<u>Current</u> <u>Portion</u>
2012 Revenue Bonds	<u>\$2,145,000</u>	<u>\$ -</u>	<u>\$ 65,000</u>	<u>\$2,080,000</u>	<u>\$ 70,000</u>

The 2012 bonds were issued by the District pursuant to an Indenture of Trust dated June 1, 2012 in the amount of \$2,585,000 to pay off 2007 bonds, fund a reserve fund and pay costs of issuance. The bonds bear interest at various rates (.750% to 5.125%) payable semiannually on August 1 and February 1 of each year, commencing August 1, 2012. District revenues are pledged as security for these bonds

BYRON SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
for the year ended June 30, 2020

5. Long-term Debt, continued:

The 2012 Revenue Bonds mature as follows:
(August 1)

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 70,000	\$ 96,033	\$ 166,033
2022	70,000	93,582	163,582
2023	70,000	90,975	160,975
2024	75,000	88,128	163,128
2025	80,000	84,988	164,988
2026-2030	445,000	369,214	814,214
2031-2035	560,000	249,378	809,378
2036-2040	710,000	91,750	801,750
	<u>\$2,080,000</u>	<u>\$1,164,048</u>	<u>\$3,244,048</u>

6. District Management:

The District entered into an agreement for services with Byron Bethany Irrigation District (BBID) in June, 2008. On March 1, 2014 the agreement was amended and restated. Either party may terminate at any time by giving at least sixty days written notice. BBID provides full administrative and operations/maintenance support, which is calculated on a time and materials basis, to the District. The District has no employees and BBID's General Manager serves as the District's General Manager pursuant to the agreement. The District's principal office is located at BBID's Headquarters.

During the 2020 fiscal year the District paid BBID \$14,740 for District administration, and paid BBID \$67,690 for operations/maintenance support.

BYRON SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
for the year ended June 30, 2020

7. Net Position:

Net investment in capital assets		\$1,393,598
Restricted:		
Revenue bonds reserve		246,000
Unrestricted:		
Board designated:		
Insurance reserve	\$ 50,000	
Operations reserve	195,000	
Capital improvements reserve	<u>500,000</u>	
	745,000	
Undesignated	<u>851,184</u>	<u>1,596,184</u>
		<u>\$3,235,782</u>

8. Risk of Loss:

Byron Sanitary 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 August 4, 2020, the date these June 30, 2020 financial statements were available to be issued.

SUPPLEMENTAL DATA

BYRON SANITARY DISTRICT
OPERATING EXPENSES
for the year ended June 30, 2020

Collection:		
Chief operator	\$ -	
OM general labor	-	
Collection system	<u>27,400</u>	\$ 27,400
Treatment:		
Chief operator	31,248	
O & M general labor	22,363	
WWTF pond maintenance	14,080	
Lab	15,214	
WDR reporting	2,800	
Utilities	10,228	
Permits and fees	21,759	
CSRMA insurance	<u>5,852</u>	123,544
Administration and general:		
District administration	14,739	
Audit	7,000	
Legal	774	
Dues	2,874	
County fees	1,322	
Director expenses	1,302	
Communications	1,628	
Public outreach	6,043	
Continuing disclosure	1,500	
Trustee fees	<u>1,695</u>	38,877
Depreciation		<u>117,691</u>
		<u>\$ 307,512</u>

BYRON SANITARY DISTRICT
PRINCIPAL OFFICIALS
for the year ended June 30, 2020

Board of Directors:

Danny A. Hamby

Chair

Michael A. Nisen

Vice Chair

Brian Neri

Gregory D. Pirnik

Daniel Kelley

Operations:

Rick Gilmore

General Manager/
Secretary

Kelley Geyer

Director, Administration,
Assistant GM