



WHWD Financial Audit Report

Prepared by Mark Kovich, WHWD Treasury Officer

WHWD Board of Directors
May 12, 2021





Information Sources

- Audited Financials
- Bank Statements
- Accounting Software
- Emails
- Interviews of District Employees and Directors

WHWD Historical Revenues, Losses, and Subsidy

Fiscal year	Revenue	Loss	Subsidy	Golf Course Revenue	Course
2010	\$940,717	\$2,602,383	\$2,618,108	\$635,279	Legends/Ranch
2011	\$2,090,717	\$1,826,673	\$2,079,564	\$717,618	Legends/Ranch
2012	\$2,150,790	\$1,837,711	\$1,138,000	\$941,228	Legends/Ranch
2013	\$2,207,622	\$1,511,369	\$900,001	\$1,054,575	Legends/Ranch
2014	\$1,851,345	\$2,430,160	\$697,667	\$987,638	Legends/Ranch
2015	\$1,562,695	\$2,417,740	\$2,117,099	\$496,743	Ranch
2016	\$2,064,084	\$2,479,074	\$2,295,000	\$362,643	Ranch
2017	\$2,557,174	\$1,863,301	\$1,234,000	\$316,745	Ranch
2018	\$2,052,461	\$2,630,582	\$920,000	\$571,513	Ranch
2019	\$2,801,049	\$1,805,057	\$1,137,000	\$571,513	Ranch
2020	\$2,449,717	\$2,339,983	\$0	\$0	Ranch
			Subsidy Total	Golf Course Total	Grand Total
			\$15,136,439	\$6,655,495	\$21,791,934

WHWD Expenses

Fiscal Year 2020

Labor	\$600,160
Purchased Water	\$1,285,715
Waster Water and Hauling	\$537,944
Water Treatment	\$294,725
Utilities/Fuel for Pump	\$192,041
Maintenance	\$131,408
Contractual Services	\$101,562
Insurance	\$40,436
Licenses and Fees	\$7,005
General and Administration	\$183,989
Depreciation	\$1,414,715
Total Accounting Expenses	\$4,789,700
Total Operating Expenses	\$3,374,985

2020 Fiscal Year Loss \$2,339,983



WHWD Historic Water Rate to Golf Courses

All water rate increases
under the direction and
control of **World**
International affiliates

Rates per acre-foot (1 acft = 325,851 gallons)

July 2009	\$350
October 2009	\$875
September 2011	\$1075
August 2012	\$1275
August 2013	\$1475
September 2014	\$1519.25
August 2015	\$1554.19
July 2017	\$1596.16
September 2017	\$1650.43
July 2018	\$1693.44

Course is metered and was irrigated with raw water

Letter from AC to WHWD re: Payments

August 14, 2020

Tracy Taylor
Western Hills Water District
9501 Morton Davis Dr.
Patterson, CA 95363

Subject: Payments to WHWD Associated with Angel's Crossing Purchase of Diablo Grande

Dear Ms. Taylor,

Per the discussion at the WHWD Board Meeting on August 12, 2020, Angel's Crossing's plan associated with various WHWD bills and debts is provided below. Our understanding is there are three issues:

1. Irrigation bill – for golf course and other parcels owned by Angel's Crossing with WHWD service area
2. KCWA bill – water supply bill for community
3. Patterson bill – shortfall in payments to Patterson for sewer service of existing homes

Our plan is as follows:

1. **Irrigation** – We formally request the irrigation water supplies for the golf course and other Angel's Crossing holdings continue. **We will make a good faith payment to Western Hills for irrigation bills by the end of September. We will have all the irrigation bills for the year paid off by the end of the year (December 2020).** In the meantime, Angel's Crossing will be working with the community to reopen the golf club, create memberships, and develop a revenue source to ensure the ongoing payment of the irrigation and landscaping bills.
2. **KCWA bill** – We will have a good faith payment for KCWA by the end of September. **Our intent is to pay the entire water bill to KCWA for 2020 before the end of the year** and before the January 60% bill from KCWA is received for the 2021 water year.
3. **Patterson bill** – It is our understanding the community will be adjusting the wastewater rate soon to eliminate the subsidy being requested from Angel's Crossing to the community associated with unpaid sewer rates to the City of Patterson. Patterson has asked they be made whole by the end of the Patterson fiscal year, June 30, 2021. **We propose a monthly payment plan (if needed) with the intent of making Patterson whole by the end of their fiscal year.** The payments will be negotiated after we see how the community chooses to adjust sewer rates.

Thank you for working with us as we begin our path, working with you, to build out this wonderful community. Please call me if you have any questions (916) 612.0052.

Sincerely,



William J Miller Jr
Development Manager, Angel's Crossing

CC: Seth W. Scott, Angel's Crossing LLC
Don Hale Jr., Angel's Crossing LLC

Rob Donlan, ELLISON SCHNEIDER HARRIS & DONLAN LLP
Gary SAWYERS, New Current Water and Land





World International and Control of WHWD Board of Directors

Fall of 2017 - World International

- Stops Mello Roos Payments
- Stops County Tax Payments

Spring of 2018 - WHWD Board of Directors retained Lavelle Law Group

- Lavelle Law was paid \$169,094 from district funds
- Resides out of same office as WHWD Board President Marrero (World Attorney)
- No foreclosure lawsuit ever filed

June of 2019 - World International

- Stops Subsidy
- Stops Water Payments to Golf Course



Conclusion

- WHWD controlled by World International until December 2020
- No WHWD subsidy provided by World or AC since 2019
- No golf course water revenue for WHWD since 2019
- No due diligence of WHWD done by AC prior to signing AA&R



Contact & References

Mark Kovich, Officer, Treasurer, Controller and Tax Assessor, WHWD Board of Directors

Questions?

Call the WHWD Office and leave a message for Mark: 209-895-9493

Alternatively, email Chris Blessing, Director of Communications: chrisblessingwhwd@gmail.com

Reference documents and websites:

- [Letter from AC to WHWD re: Payments](#) (PDF)