

ALLEGHANY COUNTY WATER DISTRICT

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

JUNE 30, 2019

ALLEGHANY COUNTY WATER DISTRICT
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Alleghany County Water District
P.O. Box 860
Alleghany, CA 95910-0860

We have audited the accompanying financial statements of the business-type activities of Alleghany County Water District as of and for the year ended June 30, 2019, 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 opinions 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 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 opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of Alleghany County Water District as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flow thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

- Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information beginning on pages 3 and 13, respectively, 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. We 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 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.


BODEN KLEIN & SNEESBY
A Professional Corporation

Roseville, California
January 31, 2020

**ALLEGHANY COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2019**

Alleghany County Water District (ACWD) was established on March 8, 1939 to provide water to the town of Alleghany for both domestic use and fire protection.

When the district was formed, Alleghany had a population of approximately 586 (1940 US Census). The most recent census (2010) recorded 58 full-time residents. This represents a 90% decrease over seventy years. However; the number of part-time residents as a percentage of the total population has increased in recent years. Currently ACWD has 56 active customer accounts.

Sustaining its operation with such a small customer base is ACWD's biggest challenge. Balancing sustainability with affordability is a daunting task. The Board and Staff donate many volunteer hours to the district on a regular basis to keep it functioning.

ACWD does, from time-to-time, apply for grants. The bulk of the current infrastructure was built in 1977-78 with a 50/50 loan-grant from USDA Rural Development. That loan was paid off in November of 2017. As a direct result of this loan pay-off the district has been able to start building up a contingency fund.

Work-in-progress

In early 2015 the district applied for a Grant from the State Revolving Fund to do a Planning and Engineering Analysis for renovations of the ACWD storage tank and water sources. A \$300,000 funding agreement for this project was signed on November 23, 2015.

The primary objective of this funding agreement was to find the most sustainable means of supplying the town's drinking water. Changing the main water source from "ground water under the influence of surface water" to "ground water" was a known way to reduce water production costs, but whether-or-not this could be done with the currently used Ram Spring was uncertain. Because of the unknowns with the Spring the district was encouraged by the State Division of Drinking water to try vertical test wells. The test wells were not successful (inadequate water quantity and quality). As a result of this, in March of 2017 the planning project budget was increased from \$300,000 to \$500,000.

In May of 2017 driven pipes were installed at the Ram Spring in order to minimize surface water infiltration. This was funded by the existing planning project. As a result of this drilling, and with subsequent water quality testing; on October 20, 2017 the Division of Drinking water amended the Permit for the Ram Spring changing its classification to "ground water". This new classification eliminates the need for a treatment plant and lessens several regulatory requirements. This will save the district both time and money over the long-term.

The Planning Project is expected to be completed by March 1, 2020. The secondary water source portion of the project had to be abandoned due to budget constraints. Both an environmental and an engineering analysis of alternatives will guide the application for a future construction project, to accomplish the goals that are feasible.

The water tank portion of the planning project was completed in 2016 and a new funding agreement for construction of the water tank was executed on July 20, 2017. The new water storage tank was put online in November of 2018.

**ALLEGHANY COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2019**

Budget Procedure Notes

The enabling legislation for County Water Districts requires charging rates sufficient to cover operating expenses, repairs & depreciation and debt payments. However; there are also Federal guidelines in place regarding affordable rates for basic services such as water. An income survey of Alleghany in December of 2016 showed a Median Household Income (MHI) figure of \$18,996. The EPA defines "affordable" potable water as a cost equal to or less than 2.5% of the Median Household Income of the community. In Alleghany's case this equals \$39.58 per month. ACWD's monthly rate of \$40 is close to this figure but does NOT generate enough revenue to cover depreciation expense. **As a result, ACWD does not budget for depreciation because an income source to cover it has not been identified.**

For managerial purposes ACWD has opted to *not* include the current State Funded Projects in its budget. The Projects are paid on a reimbursement basis (a wash) and it is very difficult to project the timing of the actual work.

The district's budget worksheet combines both "cash-based" and "accrual" projections in order to ensure that adequate cash is available to cover operating expenses and maintain reserve funds.

Comparison of budgeted versus actual results

Audited actual results vary significantly from the adopted budget because the audited results include both depreciation expense and the State Funded Project (Grant). Also, the audited results are on a strictly accrual basis and the budget worksheet combines both accrual and cash-based projections. (see notes above)

Operating revenue: Water Service revenue came in \$2,354 (8%) higher than projected primarily due to two new customer accounts. Grant income came in \$784,715 higher than projected due to the fact that the district does not include the State Funded Project in its budget as noted above. Other income came in \$514 (257%) higher than projected primarily due to late fees paid by customers.

Operating expense overages: Payroll expenses of \$1,504 were not included in the budget because prior to April 1, 2019 all labor was supplied under contract. Well drilling of \$17,739 is actually previous year's expenses related to the failed test wells. Depreciation is not included in the budget as noted above.

Operating expenses under budget: Administration came in \$290 (17%) lower than projected due to the fact that the bookkeeper became an employee on April 1st and her wages are included in the payroll expenses noted above. Utilities came in \$755 (19%) lower than projected primarily due to the elimination of the treatment plant. Maintenance and repairs came in \$944 (18%) lower than expected even with an expenditure of \$2,500 for two 6,500-gallon portable water storage tanks. "Permits fees and dues" came in \$135 (19%) lower than projected. Mileage came in \$561 (43%) lower as a result of fewer repair needs than projected. The district takes a conservative approach to the budget process, relying on budget history to ensure that enough funds are allocated to for potential expenses.

Non-operating revenues: Property tax revenue came in \$1,072 (21%) higher than expected due to the conservative budget approach mentioned above. Fundraising and donation income also came in 100% higher than projected because of the conservative approach to revenue projections utilized by ACWD.

ALLEGHANY COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2019

Non-operating expenses: Historical Church Repairs & Maintenance came in \$795 (99%) lower than projected because the expected purchase of a heater was not made. Park supplies and maintenance came in \$82 (22%) lower than projected because the park only needed to be weed-eated once during the fiscal year. (The timing varies depending on the weather).

The year-end results show a positive fund change of \$755,540 primarily due to the State Funded Projects Grant Income of \$784,715. This was offset by the standard depreciation entry.

ALLEGHANY COUNTY WATER DISTRICT

Statement of Net Position

June 30, 2019

ASSETS

Current assets

Cash	\$	35,609
Accounts receivable		24,680
Prepaid expenses		<u>3,140</u>
Total current assets		63,429

Capital assets

Land		101,000
Other capital assets, net of depreciation		<u>1,002,457</u>
Total capital assets, net of depreciation		<u>1,103,457</u>

TOTAL ASSETS

\$ 1,166,886

LIABILITIES

Current liabilities

Deferred revenues		1,823
Accounts payable		<u>30,743</u>
Total current liabilities		32,566

TOTAL LIABILITIES

32,566

NET POSITION

Net Position

Invested in capital assets, net of related debt		1,103,457
Unrestricted		<u>30,863</u>

TOTAL NET POSITION

\$ 1,134,320

See notes to financial statements.

ALLEGHANY COUNTY WATER DISTRICT
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2019

Operating revenues	
Water sales	\$ 28,754
Grant income	784,715
Other	714
Operating revenues	814,183
Operating expenses	
Pumping	4,374
Treatment	8,159
Transmission and distribution	22,944
General and administrative	9,823
Depreciation	20,701
Operating expenses	66,001
Net operating revenue	748,182
Non-operating revenue (expenses)	
Property taxes	6,072
Miscellaneous income	240
Historical Church	
Rental	1,500
Fundraising/donations	587
Historical Church expenses	(626)
Park	
Fundraising/donations	50
Repairs/maintenance/utilities	(465)
Net non-operating revenue	7,358
CHANGE IN NET POSITION	755,540
Beginning net position	378,780
ENDING NET POSITION	\$ 1,134,320

See notes to financial statements.

ALLEGHANY COUNTY WATER DISTRICT

Statement of Cash Flows

For the Year Ended June 30, 2019

Reconciliation of operating income to net cash provided by operating activities:	
Operating revenue	\$ 748,182
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	20,701
Changes in operating assets and liabilities:	
(Increase) Decrease in:	
Accounts receivable	(19,153)
Pre-paid expenses	(382)
Deferred revenues	(473)
Accounts payable	26,405
	<hr/>
Net cash provided by operating activities	775,280
Cash flows from non-operating activities :	
Property taxes	6,072
Miscellaneous income	240
Net Historical Church activity	1,461
Net Park activity	(415)
	<hr/>
Net cash provided by non-operating activities	7,358
Cash flows from investing activities:	
Investment in fixed assets	(910,089)
Construction in Progress	145,697
	<hr/>
Net cash used for investing activities	(764,392)
NET INCREASE IN CASH AND CASH EQUIVALENTS	18,247
Cash at beginning of year July 1, 2018	<hr/> 17,362
CASH AT END OF YEAR, JUNE 30, 2019	\$ 35,609
	<hr/> <hr/>
Supplementary information	
Cash paid for interest	\$ -
	<hr/> <hr/>

See notes to financial statements.

ALLEGHANY COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 1 Organization

Alleghany County Water District (the "District") was organized to provide water for residents of the District.

The District is governed by a Board of Directors which is elected by voters of the District.

Note 2 Summary of Significant Accounting Policies

The accounting policies of Alleghany County Water District conform to generally accepted accounting principles applicable to enterprise funds. The District applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

Fund Accounting

The District is an enterprise fund. All operations are accounted for as an enterprise fund.

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

Depreciation and Amortization

Capital assets 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.

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

Statement of Cash Flows

All highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents.

ALLEGHANY COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 2 Summary of Significant Accounting Policies, continued

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 budgets are prepared on the accrual basis to match the operating statements. Capital replacement expenditures are reviewed on an annual basis and budgeted as deemed necessary.

Note 3 Cash and Investments

Cash and investments consist of the following at June 30, 2019:

Petty cash	\$ 230
Cash in bank – checking	26,471
Cash in bank – checking (historical church/park)	<u>8,908</u>
	<u>\$ 35,609</u>

All deposits were covered by Federal depository insurance.

ALLEGHANY COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 4 Capital Assets

Changes in capital assets for the year ended June 30, 2019 consist of:

	Balance beginning of the year	Additions	Disposal	Balance end of year
Land	\$ 101,000	-	-	\$ 101,000
Building	\$ 17,101	-	-	\$ 17,101
Water system (1977)	218,000	-	-	218,000
1994 Water system	300,000	-	-	300,000
1994 Treatment plant	200,000	-	-	200,000
2018 Water tank	-	848,522	-	848,522
Ram Spring renovation (2018)	-	61,567	-	61,567
Total Fixed Assets:	735,101	910,089	-	1,645,190
Construction in Progress	152,374	6,677	152,374	6,677
Accumulated depreciation	(628,709)	(20,701)	-	649,410
Capital assets, net of depreciation	<u>\$ 258,766</u>	<u>\$ 896,065</u>	<u>\$ 152,374</u>	<u>\$ 1,002,457</u>

Depreciation expense for the year
year ended June 30, 2019

\$ 20,701

Note 5 Net Investment in Capital Assets

	Total
Land	\$ 101,000
Capital assets, net of depreciation	<u>1,002,457</u>
Invested in capital assets, net of related debt	<u>\$ 1,103,457</u>

ALLEGHANY COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 6 Risk of Loss

Alleghany County Water District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; and injuries to employees. During the 2019 fiscal year, the District purchased certain commercial insurance coverage to provide for these risks.

Note 7 SUBSEQUENT EVENTS

The District's management has evaluated the potential for subsequent events through the available for issuance date of the financial statements, January 31, 2020.

ALLEGHANY COUNTY WATER DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2019

ALLEGHANY COUNTY WATER DISTRICT
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Favorable (Unfavorable)
Operating Revenues				
Water service fees	\$ 26,400	\$ 26,400	\$ 28,754	\$ 2,354
Grant income	-	-	784,715	784,715
Other	200	200	714	514
	<hr/>	<hr/>	<hr/>	<hr/>
Total Operating Revenues	26,600	26,600	814,183	787,583
	<hr/>	<hr/>	<hr/>	<hr/>
Operating Expenditures:				
Payroll Expenses	-	-	1,504	(1,504)
Insurance	4,400	4,400	4,437	(37)
Professional Services	2,800	2,800	2,800	-
Administration	1,700	1,700	1,410	290
Water system labor	6,410	6,410	6,115	295
Utilities	4,030	4,030	3,275	755
Water tests	1,025	1,025	670	355
Office expense	955	955	853	102
Planning project: well drilling	-	-	17,739	(17,739)
System maintenance/repairs	5,000	5,000	4,056	944
Permit fees and dues	700	700	565	135
Mileage	1,300	1,300	739	561
Chemicals	600	600	653	(53)
Miscellaneous/contingency	431	431	484	(53)
Depreciation	-	-	20,701	(20,701)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Operating Expenditures	29,351	29,351	66,001	(36,650)
	<hr/>	<hr/>	<hr/>	<hr/>
Excess of Operating Revenues Over Operating Expenditures	(2,751)	(2,751)	748,182	750,933

**ALLEGHANY COUNTY WATER DISTRICT
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Favorable (Unfavorable)
Non-Operating Revenues				
ACWD - Property taxes	5,000	5,000	6,072	1,072
ACWD - Historical Church administration	240	240	240	-
Historical Church - Rental	1,500	1,500	1,500	-
Historical Church - Fundraisers	-	-	587	587
Park - Donations	-	-	50	50
	<hr/>	<hr/>	<hr/>	<hr/>
Total Non-Operating Revenues	6,740	6,740	8,449	1,709
	<hr/>	<hr/>	<hr/>	<hr/>
Non-Operating Expenditures:				
Historical Church - Insurance	250	250	250	-
Historical Church - Utilities	200	200	121	79
Historical Church - Administration	240	240	240	-
Historical Church - Repairs/maintenance	810	810	15	795
Park - Supplies and maintenance	360	360	278	82
Park - Solid waste fee	188	188	187	1
	<hr/>	<hr/>	<hr/>	<hr/>
Total Non-Operating Expenditures	2,048	2,048	1,091	957
	<hr/>	<hr/>	<hr/>	<hr/>
Excess of Non-Operating Revenues Over Non-Operating Expenditures	4,692	4,692	7,358	2,666
	<hr/>	<hr/>	<hr/>	<hr/>
Total Excess of Revenues Over Expenditures	1,941	1,941	755,540	753,599
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Balance, beginning of year	378,780	378,780	378,780	-
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Balance, end of year	\$ 380,721	\$ 380,721	\$ 1,134,320	\$ 753,599
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

ALLEGHANY COUNTY WATER DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
JUNE 30, 2019

Note 1 PURPOSE OF STATEMENTS AND SCHEDULES

A. Schedule of Revenues, Expenditures, and Changes in Fund Balance- Budget and Actual

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, the authority is required to present a Schedule of Revenues, Expenditures and Changes in Fund Balance budgetary comparison for the General Fund and each Major Special Revenue Fund that has an adopted budget. This schedule presents the original adopted budget and the actual revenue and expenditures of the General Fund.

ALLEGHANY COUNTY WATER DISTRICT

SUPPLEMENTARY INFORMATION

JUNE 30, 2019

ALLEGHANY COUNTY WATER DISTRICT

Operating Expenses

For the Year Ended June 30, 2019

Pumping			
Electricity	\$	2,952	
Water system management		<u>1,422</u>	
Total pumping			\$ 4,374
Treatment			
Testing, chemicles, permits, & fees		1,887	
Water system management		<u>6,272</u>	
Total treatment			8,159
Transmission and distribution			
Repairs and hookups		21,796	
Meter reading		480	
Water system management		<u>668</u>	
Total transmission and distribution			22,944
General and administrative			
Legal and audit		2,800	
Billing and bookkeeping		1,410	
Insurance		4,437	
Postage		344	
Telephone		323	
Office/supplies		<u>509</u>	
Total general and administrative			9,823
Depreciation			<u>20,701</u>
TOTAL OPERATING EXPENSES			<u><u>\$ 66,001</u></u>

ALLEGHANY COUNTY WATER DISTRICT
OTHER SUPPLEMENTARY INFORMATION
JUNE 30, 2019

**ALLEGHANY COUNTY WATER DISTRICT
ORGANIZATION
JUNE 30, 2019**

BOARD OF DIRECTORS

Tobyn Mehrmann	Director/President
Nancy Finney	Director/Vice President
Robbin DeWeese	Director
Coral Spencer	Director
Laurence "Gus" Tenney	Director
Amber Mehrmann	Secretary