

**ALLEGHANY COUNTY WATER DISTRICT**

FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2020

**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, 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 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, 2020, 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  
November 25, 2020

**ALLEGHANY COUNTY WATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDED JUNE 30, 2020**

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.

Recently completed projects:

In 2015 the district was awarded a loan with debt forgiveness (grant) from the State Revolving Fund to do a Planning and Engineering Analysis for renovations of the ACWD storage tank and water sources.

The primary objective of this funding agreement was to find the most sustainable way to supply the town's drinking water in compliance with State laws. The two major concerns at that time were the condition of the main water storage tank and treatment plant. The lack of water source redundancy was also a concern. Changing the main water source (the Ram Spring) from "ground water under the influence of surface water" to "ground water" was a known way to reduce water production costs. Because of concerns about drilling at the Spring, the district was encouraged by the State to try vertical test wells. Two vertical wells would have solved both the surface water and the redundancy issues if successful. However, the vertical test wells were not successful (inadequate water quantity and quality).

In May of 2017, as part of the planning project, driven pipes were installed at the Ram Spring to minimize surface water infiltration. As a result of this drilling, and with subsequent water quality testing; on October 20, 2017 the State 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, saving both time and money over the long-term.

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.

The redundancy portion of the planning project had to be abandoned due to budget constraints

Pending Projects

The Ram Spring portion of the Planning Project will be completed by December 1, 2020. The district is in the process of applying for funds from the State Revolving Fund for a construction project that

**ALLEGHANY COUNTY WATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDED JUNE 30, 2020**

will reconfigure the facilities at the Ram Spring to accommodate the changes related to the driven pipes (no treatment plant) and address a few other issues based on the alternatives analysis completed as part of the Planning Project.

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 (for discrepancies of 10% or more)

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 about as projected. Grant income came in \$232,664 higher than projected because the district does not include the State Funded Project in its budget as noted above. Other income came in \$508 (254%) higher than projected primarily due to late fees paid by customers.

Operating expense overages: Payroll expenses came in \$10,847 (10,847) higher than projected due to extra labor required related to repair work needed on the new water tank. The bulk of the work was covered under warranty, but the district was not compensated for the extra employee hours needed to accommodate the contractor. Chemicals cost \$412 (69%) more than projected due to underestimating the amount of chemicals needed now that there is no treatment plant. Depreciation is not included in the budget as noted above.

Operating expenses under budget: Administration came in \$155 (31%) lower than projected due to the donation of some work that was expected to be paid for. Permit fees and dues were \$200 (29%) lower 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 \$577 (12%) lower than projected due to decreased property values in Alleghany.

**ALLEGHANY COUNTY WATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDED JUNE 30, 2020**

Non-operating expenses Historical Church Repairs & Maintenance shows a favorable variance of \$660 but \$4,643 was spent to re-shingle the back of the building and it was capitalized.

The year-end results show a positive fund change of \$157,327 primarily due to the State Funded Projects Grant Income of \$233,264. This was offset by the standard depreciation entry of \$30,184 plus a loss of \$40,000 in book value for the old treatment plant which was not fully depreciated when it was sold as surplus.

**ALLEGHANY COUNTY WATER DISTRICT**

Statement of Net Position

June 30, 2020

**ASSETS**

Current assets

Cash	\$	24,408
Accounts receivable		25,927
Prepaid expenses		<u>3,281</u>
Total current assets		53,616

Capital assets

Land		101,000
Other capital assets, net of depreciation		<u>1,162,897</u>
Total capital assets, net of depreciation		<u>1,263,897</u>

**TOTAL ASSETS**

**\$ 1,317,513**

**LIABILITIES**

Current liabilities

Deferred revenues	\$	1,761
Accounts payable		23,841
Accrued payroll and payroll liabilities		<u>1,764</u>
Total current liabilities		27,366

**TOTAL LIABILITIES**

**27,366**

**NET POSITION**

Net Position

Invested in capital assets, net of related debt		1,263,897
Unrestricted		<u>26,250</u>

**TOTAL NET POSITION**

**1,290,147**

**TOTAL LIABILITIES AND NET POSITION**

**\$ 1,317,513**

See notes to financial statements.



**ALLEGHANY COUNTY WATER DISTRICT**  
Statement of Revenues, Expenses and Changes in Net Position  
For the Year Ended June 30, 2020

Operating revenues	
Water sales	\$ 28,396
Grant income	233,264
Other	708
	262,368
Operating revenues	262,368
Operating expenses	
Pumping	6,610
Treatment	4,957
Transmission and distribution	17,143
General and administrative	12,346
Depreciation	30,184
	71,240
Operating expenses	71,240
Net operating revenue	191,128
Non-operating revenue (expenses)	
Loss on disposal of fixed assets	(39,500)
Property taxes	4,423
Miscellaneous income	240
Historical Church	
Rental	1,500
Fundraising/donations	580
Historical Church expenses	(957)
Park	
Fundraising/donations	117
Repairs/maintenance/utilities	(204)
	(33,801)
Net non-operating revenue	(33,801)
<b>CHANGE IN NET POSITION</b>	<b>157,327</b>
Beginning net position, restated	1,132,820
<b>ENDING NET POSITION</b>	<b>\$ 1,290,147</b>

See notes to financial statements.

**ALLEGHANY COUNTY WATER DISTRICT**

Statement of Cash Flows

For the Year Ended June 30, 2020

Reconciliation of operating income to net cash provided by operating activities:	
Operating revenue	\$ 191,128
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	30,184
Changes in operating assets and liabilities:	
(Increase) Decrease in:	
Accounts receivable	(2,747)
Pre-paid expenses	(141)
Deferred revenues	(62)
Accounts payable	(5,138)
Net cash provided by operating activities	<u>213,224</u>
Cash flows from non-operating activities :	
Property taxes	4,423
Miscellaneous income	240
Net Historical Church activity	1,123
Net Park activity	(87)
Net cash provided by non-operating activities	<u>5,699</u>
Cash flows from investing activities:	
Proceeds from disposition of fixed assets	500
Investment in fixed assets	(84,027)
Construction in Progress	(146,597)
Net cash used for investing activities	<u>(230,124)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(11,201)</b>
Cash at beginning of year July 1, 2019	<u>35,609</u>
<b>CASH AT END OF YEAR, JUNE 30, 2020</b>	<b>\$ <u>24,408</u></b>
Supplementary information	
Cash paid for interest	<u>\$ -</u>

See notes to financial statements.

**ALLEGHANY COUNTY WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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, 2020**

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, 2020:

Petty cash	\$ 110
Cash in bank – checking	19,283
Cash in bank – checking (historical church/park)	<u>5,015</u>
	<u>\$ 24,408</u>

All deposits were covered by Federal depository insurance.

**ALLEGHANY COUNTY WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

Note 4 Capital Assets

Changes in capital assets for the year ended June 30, 2020 consist of:

	Balance beginning of the year	Additions	Disposal	Balance end of year
Land	\$ 101,000	-	-	\$ 101,000
Building	\$ 17,101	\$ 4,643	\$ -	\$ 21,744
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	79,384	-	927,906
Ram Spring renovation (2018)	61,567	-	-	61,567
Total Fixed Assets:	1,645,190	84,027	(200,000)	1,529,217
Construction in Progress	6,677	146,597	-	153,274
Accumulated depreciation	(649,410)	(30,184)	160,000	(519,594)
Capital assets, net of depreciation	<u>\$ 1,002,457</u>	<u>\$ 200,440</u>	<u>\$ (40,000)</u>	<u>\$ 1,162,897</u>

Depreciation expense for the year  
year ended June 30, 2020

\$ 30,184

Note 5 Net Investment in Capital Assets

	Total
Land	\$ 101,000
Capital assets, net of depreciation	<u>1,162,897</u>
Invested in capital assets, net of related debt	<u>\$ 1,263,897</u>

**ALLEGHANY COUNTY WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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 2020 fiscal year, the District purchased certain commercial insurance coverage to provide for these risks.

Note 7 Net Position – Restated

During the previous period, the District inadvertently overstated property tax income by \$1,500 and subsequently overstated its Net Position as of June 30, 2019. The corrected fund balance as of July 1, 2019 is:

Unadjusted net position	\$ 1,134,320
Adjustment for overstated property tax income	<u>(1,500)</u>
July 1, 2019 net position, restated	<u>\$ 1,132,820</u>

Note 8 Subsequent Events

The District's management has evaluated the potential for subsequent events through the available for issuance date of the financial statements, November 25, 2020.

As the impacts of COVID 19 continue to evolve, it is unknown at this time what effects, if any, it may have on future assets, liabilities, support and revenues, and expenses of the Organization.

ALLEGHANY COUNTY WATER DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2020

**ALLEGHANY COUNTY WATER DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
Operating Revenues				
Water service fees	\$ 26,880	\$ 26,880	\$ 28,396	\$ 1,516
Grant income	600	600	233,264	232,664
Other	200	200	708	508
<b>Total Operating Revenues</b>	<b>27,680</b>	<b>27,680</b>	<b>262,368</b>	<b>234,688</b>
Operating Expenditures:				
Payroll & payroll tax expenses	8,580	8,580	19,427	(10,847)
Insurance	5,600	5,600	5,401	199
Professional services	2,800	2,800	2,920	(120)
Administration	500	500	345	155
Water system labor	-	-	480	(480)
Utilities	3,480	3,480	3,364	116
Water tests	1,500	1,500	1,586	(86)
Office expense	1,305	1,305	1,372	(67)
System maintenance/repairs	3,000	3,000	3,069	(69)
Permit fees and dues	700	700	500	200
Mileage	1,000	1,000	1,005	(5)
Chemicals	600	600	1,012	(412)
Miscellaneous/contingency	457	457	575	(118)
Depreciation	-	-	30,184	(30,184)
<b>Total Operating Expenditures</b>	<b>29,522</b>	<b>29,522</b>	<b>71,240</b>	<b>(41,718)</b>
Excess of Operating Revenues Over Operating Expenditures	(1,842)	(1,842)	191,128	192,970



**ALLEGHANY COUNTY WATER DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
<b>Non-Operating Revenues</b>				
ACWD - Property taxes	5,000	5,000	4,423	(577)
ACWD - Historical Church administration	240	240	240	-
Historical Church - Rental	1,500	1,500	1,500	-
Historical Church - Fundraisers	-	-	580	580
Park - Donations	-	-	117	117
Loss on disposition of assets	-	-	(39,500)	(39,500)
<b>Total Non-Operating Revenues</b>	<b>6,740</b>	<b>6,740</b>	<b>(32,640)</b>	<b>(39,380)</b>
<b>Non-Operating Expenditures:</b>				
Historical Church - Insurance	250	250	250	-
Historical Church - Utilities	200	200	127	73
Historical Church - Administration	240	240	240	-
Historical Church - Repairs/maintenance	1,000	1,000	340	660
Park - Supplies and maintenance	360	360	17	343
Park - Solid waste fee	188	188	187	1
<b>Total Non-Operating Expenditures</b>	<b>2,238</b>	<b>2,238</b>	<b>1,161</b>	<b>1,077</b>
<b>Excess of Non-Operating Revenues Over Non-Operating Expenditures</b>	<b>4,502</b>	<b>4,502</b>	<b>(33,801)</b>	<b>(38,303)</b>
<b>Total Excess of Revenues Over Expenditures</b>	<b>2,660</b>	<b>2,660</b>	<b>157,327</b>	<b>154,667</b>
Fund Balance, beginning of year (restated)	1,132,820	1,132,820	1,132,820	
<b>Fund Balance, end of year</b>	<b>\$ 1,135,480</b>	<b>\$ 1,135,480</b>	<b>\$ 1,290,147</b>	

**ALLEGHANY COUNTY WATER DISTRICT**  
**NOTES TO SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2020**

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, 2020

**ALLEGHANY COUNTY WATER DISTRICT**

Operating Expenses

For the Year Ended June 30, 2020

Pumping			
Payroll and benefits	\$	3,720	
Electricity		<u>2,890</u>	
Total pumping			\$ 6,610
Treatment			
Payroll and benefits		1,859	
Testing, chemicles, permits, & fees		<u>3,098</u>	
Total treatment			4,957
Transmission and distribution			
Payroll and benefits		13,019	
Repairs and hookups		3,069	
Miscellaneous		575	
Meter reading		<u>480</u>	
Total transmission and distribution			17,143
General and administrative			
Insurance		5,401	
Legal and audit		2,920	
Payroll and benefits		1,835	
Billing and bookkeeping		1,717	
Telephone		<u>473</u>	
Total general and administrative			12,346
Depreciation			<u>30,184</u>
<b>TOTAL OPERATING EXPENSES</b>			<b><u><u>\$ 71,240</u></u></b>

ALLEGHANY COUNTY WATER DISTRICT  
OTHER SUPPLEMENTARY INFORMATION  
JUNE 30, 2020

ALLEGHANY COUNTY WATER DISTRICT  
ORGANIZATION  
JUNE 30, 2020

BOARD OF DIRECTORS

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