

ALLEGHANY COUNTY WATER DISTRICT

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

JUNE 30, 2021

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, 2021, 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 business-type activities of Alleghany County Water District as of June 30, 2021, 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
December 23, 2021

**ALLEGHANY COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2021**

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 (2020) recorded 55 full-time residents. This represents a 90% decrease over eighty years. It is notable that the change in population between 2010 and 2020 was a decrease in only 3 individuals. Currently ACWD has 55 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 water source redundancy portion of the planning project had to be abandoned due to budget constraints.

The Ram Springs portion of the Planning Project was completed on December 1, 2020 and an application for construction has been started as noted below.

**ALLEGHANY COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2021**

Pending Projects

The district is in the process of applying for funds from the State Revolving Fund for a construction project that 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. The application includes a request for money for residential meter replacements funded by a special state program.

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.**

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 depreciation expense and the budget does not. 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 was 100% lower than expected because no funding was realized during the fiscal year. "Other" income representing customer fees came in \$267.78 (46%) lower due to fewer late payments resulting in late charges than expected.

Operating expense overages: Payroll expenses came in \$3,797 (40%) higher than projected due to extra labor required to repair work needed on the new water tank. (see note below re: Water Operations Expense). SRF project expense came in \$2,038 (100%) higher because nothing was projected, this expense will be reimbursed by the State if the next funding application is approved. Depreciation expense is 100% higher because it is not included in the budget as noted above.

Operating expenses under budget: Water Operations came in \$2,037 (26%) lower than projected due to the large portion of repair/maintenance expense that was labor booked under "Payroll expenses".

Non-operating revenues: Park income came in \$1,600 (100%) higher because this was unanticipated revenue paid by PG&E for use of the park for a Community Resource center.

ALLEGHANY COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2021

Non-operating expenses: Historical Church Repairs & Maintenance shows a favorable variance of \$2,987 (99%) because no money was spent in this category. Park Supplies and Maintenance of \$82 (100%) was not budgeted for. The solid waste (dump) fee for the Park was decreased by Sierra County by about 52% from \$188 to \$99.

The year-end results show a negative budget net change variance of \$30,796. This is primarily attributable to the depreciation expense of \$31,468 which was not included in the budget as noted above.

ALLEGHANY COUNTY WATER DISTRICT

Statement of Net Position

June 30, 2021

ASSETS

Current assets

Cash	\$	25,193
Accounts receivable		986
Prepaid expenses		<u>3,486</u>
Total current assets		29,665

Capital assets

Land		101,000
Other capital assets, net of depreciation		<u>1,133,007</u>
Total capital assets, net of depreciation		<u>1,234,007</u>

TOTAL ASSETS

\$ 1,263,672

LIABILITIES

Current liabilities

Deferred revenues	\$	1,343
Accounts payable		2,231
Accrued payroll and payroll liabilities		<u>1,529</u>
Total current liabilities		5,103

TOTAL LIABILITIES

5,103

NET POSITION

Net Position

Invested in capital assets, net of related debt		1,234,007
Unrestricted		<u>24,562</u>

TOTAL NET POSITION

1,258,569

TOTAL LIABILITIES AND NET POSITION

\$ 1,263,672

See notes to financial statements.

ALLEGHANY COUNTY WATER DISTRICT
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2021

Operating revenues	
Water sales	\$ 28,321
Other	232
Operating revenues	28,553
Operating expenses	
Pumping	4,886
Treatment	3,982
Transmission and distribution	11,789
General and administrative	14,802
Depreciation	31,468
Operating expenses	66,927
Net operating revenue/(loss)	(38,374)
Non-operating revenue (expenses)	
Property taxes	4,263
Miscellaneous income	240
Historical Church	
Rental	1,500
Historical Church expenses	(626)
Park	
Miscellaneous income	1,600
Repairs/maintenance/utilities	(181)
Net non-operating revenue/(loss)	6,796
CHANGE IN NET POSITION	(31,578)
Beginning net position	1,290,147
ENDING NET POSITION	\$ 1,258,569

See notes to financial statements.

ALLEGHANY COUNTY WATER DISTRICT

Statement of Cash Flows

For the Year Ended June 30, 2021

Reconciliation of operating income/(loss) to net cash used in operating activities:	
Operating loss	\$ (38,374)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	31,468
Changes in operating assets and liabilities:	
Accounts receivable	24,941
Pre-paid expenses	(206)
Deferred revenues	(417)
Accounts payable	<u>(21,844)</u>
Net cash used in operating activities	<u>(4,431)</u>
Cash flows from non-operating activities :	
Property taxes	4,263
Miscellaneous income	240
Net Historical Church activity	874
Net Park activity	<u>1,419</u>
Net cash provided by non-operating activities	<u>6,796</u>
Cash flows from investing activities:	
Investment in fixed assets	<u>(1,579)</u>
Net cash used in investing activities	<u>(1,579)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	785
Cash at beginning of year July 1, 2020	<u>24,408</u>
CASH AT END OF YEAR, JUNE 30, 2021	<u><u>\$ 25,193</u></u>
Supplementary information	
Cash paid for interest	<u><u>\$ -</u></u>

See notes to financial statements.

ALLEGHANY COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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, 2021

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, 2021:

Petty cash	\$ 110
Cash in bank – checking	17,879
Cash in bank – checking (historical church/park)	<u>7,204</u>
	<u>\$ 25,193</u>

All deposits were covered by Federal depository insurance.

ALLEGHANY COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

Note 4 Capital Assets

Changes in capital assets for the year ended June 30, 2021 consist of:

	Balance beginning of the year	Additions	Disposal	Balance end of year
Land	\$ 101,000	-	-	\$ 101,000
Building	\$ 21,744	\$ -	\$ -	\$ 21,744
Water system (1977)	218,000	-	-	218,000
1994 Water system	300,000	1,579	-	301,579
2018 Water tank	927,906	-	-	927,906
Ram Spring renovation (2018)	61,567	-	-	61,567
Total Fixed Assets:	1,529,217	1,579	-	1,530,796
Construction in Progress	153,274	-	-	153,274
Accumulated depreciation	(519,594)	(31,468)	-	(551,062)
Capital assets, net of depreciation	<u>\$ 1,162,897</u>	<u>\$ (29,889)</u>	<u>\$ -</u>	<u>\$ 1,133,008</u>

Depreciation expense for the year
year ended June 30, 2021

\$ 31,468

Note 5 Net Investment in Capital Assets

	Total
Land	\$ 101,000
Capital assets, net of depreciation	1,133,008
Invested in capital assets, net of related debt	<u>\$ 1,263,897</u>

ALLEGHANY COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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 2021 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, December 23, 2021.

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, 2021

ALLEGHANY COUNTY WATER DISTRICT
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Favorable (Unfavorable)
Operating Revenues				
Water service fees	\$ 25,920	\$ 25,920	\$ 28,321	\$ 2,401
Grant income	1,000	1,000	-	(1,000)
Other	500	500	232	(268)
	<u>27,420</u>	<u>27,420</u>	<u>28,553</u>	<u>1,133</u>
Total Operating Revenues	27,420	27,420	28,553	1,133
 Operating Expenditures:				
Payroll & payroll tax expenses	9,500	9,500	13,297	(3,797)
Professional services	2,800	2,800	3,750	(950)
SRF Projects	-	-	2,038	(2,038)
Utilities	3,032	3,032	3,216	(184)
Water operations	7,935	7,935	5,898	2,037
Office expense	1,421	1,421	1,194	227
Insurance	5,600	5,600	5,576	24
Miscellaneous/contingency	476	476	490	(14)
Depreciation	-	-	31,468	(31,468)
	<u>30,764</u>	<u>30,764</u>	<u>66,927</u>	<u>(36,163)</u>
Total Operating Expenditures	30,764	30,764	66,927	(36,163)
 Excess of Operating Revenues Over Operating Expenditures	<u>(3,344)</u>	<u>(3,344)</u>	<u>(38,374)</u>	<u>(35,030)</u>

ALLEGHANY COUNTY WATER DISTRICT
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Favorable (Unfavorable)
Non-Operating Revenues				
ACWD - Property taxes	4,600	4,600	4,263	(337)
ACWD - Historical Church admin	240	240	240	-
Historical Church - Rental	1,500	1,500	1,500	-
Park income	-	-	1,600	1,600
	<u>6,340</u>	<u>6,340</u>	<u>7,603</u>	<u>1,263</u>
Total Non-Operating Revenues	<u>6,340</u>	<u>6,340</u>	<u>7,603</u>	<u>1,263</u>
Non-Operating Expenditures:				
Historical Church - Insurance	250	250	250	-
Historical Church - Utilities	100	100	123	(23)
Historical Church - Administration	240	240	240	-
Historical Church - Repairs/maint.	3,000	3,000	13	2,987
Park - Supplies and maintenance	-	-	82	(82)
Park - Solid waste fee	188	188	99	89
	<u>3,778</u>	<u>3,778</u>	<u>807</u>	<u>2,971</u>
Total Non-Operating Expenditures	<u>3,778</u>	<u>3,778</u>	<u>807</u>	<u>2,971</u>
Excess of Non-Operating Revenues Over Non-Operating Expenditures	2,562	2,562	6,796	4,234
Total Excess of Revenues Over Expenditures	(782)	(782)	(31,578)	(30,796)
Fund Balance, beginning of year	<u>1,290,147</u>	<u>1,290,147</u>	<u>1,290,147</u>	
Fund Balance, end of year	<u>\$ 1,289,365</u>	<u>\$ 1,289,365</u>	<u>\$ 1,258,569</u>	

ALLEGHANY COUNTY WATER DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
JUNE 30, 2021

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, 2021

ALLEGHANY COUNTY WATER DISTRICT

Operating Expenses

For the Year Ended June 30, 2021

Pumping			
Payroll and benefits	\$	2,185	
Electricity		2,701	
Total pumping		<u> </u>	\$ 4,886
Treatment			
Payroll and benefits		1,093	
Testing, chemicals, permits, & fees		2,889	
Total treatment		<u> </u>	3,982
Transmission and distribution			
Payroll and benefits		7,649	
Repairs and hookups		3,650	
Miscellaneous		490	
Total transmission and distribution		<u> </u>	11,789
General and administrative			
Insurance		5,576	
Legal and audit		3,750	
Payroll and benefits		3,422	
Billing and bookkeeping		1,539	
Telephone		515	
Total general and administrative		<u> </u>	14,802
Depreciation			<u>31,468</u>
TOTAL OPERATING EXPENSES	\$		<u>66,927</u>

ALLEGHANY COUNTY WATER DISTRICT
OTHER SUPPLEMENTARY INFORMATION
JUNE 30, 2021

ALLEGHANY COUNTY WATER DISTRICT
ORGANIZATION
JUNE 30, 2021

BOARD OF DIRECTORS

Tobyn Mehrmann	Director/President
Robbin DeWeese	Director
Coral Spencer	Director
Nancy Finney	Director
Amber Mehrmann	Secretary