

**WEST ALMANOR MUTUAL
WATER COMPANY**

**ACCOUNTANT'S REVIEW REPORT
Financial Statements and Supplemental Information
for the year ended December 31, 2019**

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Robert W. Johnson
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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors
West Almanor Mutual Water Company
Chester, California

We have reviewed the accompanying balance sheet of West Almanor Mutual Water Company as of December 31, 2019, and the related statements of income and cash flows and supplemental data for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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 and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Supplementary Information

The Management's Discussion and Analysis is not a required part of the financial statements but is supplemental information required by the Government Auditing Standards Board. Management has elected to omit the Management's Discussion and Analysis.

Our review was made primarily for the purpose of expressing a conclusion that there are no material modifications that should be made to the financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America. The supplementary information included in the accompanying schedules is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, and we did not become aware of any material modifications that should be made to such information.

Robert W. Johnson, An Accountant Coptia

Citrus Heights, California
June 4, 2020

WEST ALMANOR MUTUAL WATER COMPANY
BALANCE SHEET
December 31, 2019
(See Accountant's Review Report)

ASSETS

Current assets:

Cash and cash equivalents – operations (Note 3)	\$ 92,968
– capital improvements	14,805
– reserves	752,083
Accounts receivable	6,754
Prepaid expenses	<u>2,262</u>

Total current assets 868,872

Utility plant (Note 4)	\$ 2,139,847	
Less accumulated depreciation	<u>1,504,115</u>	
		<u>635,732</u>
		<u>\$1,504,604</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:

Accounts payable \$ 11,277

Total current liabilities 11,277

Stockholders' equity:

Common stock, par value \$1 per
share, 800 shares authorized;
695 shares issued and outstanding \$ 695

Retained earnings, unreserved 1,492,632

1,493,327

\$1,504,604

See notes to financial statements

WEST ALMANOR MUTUAL WATER COMPANY
STATEMENT OF INCOME AND RETAINED EARNINGS
for the year ended December 31, 2019
(See Accountant's Review Report)

Operating revenues:	
Annual fees – improved lots	\$ 141,570
– unimproved lots	34,888
Surcharge billings	108,195
Connection fees	2,168
Meter reading fees	950
Rebilling/late/prior year fees	<u>1,338</u>
 Total operating revenues	 289,109

Operating expenses:	
Contract services	\$ 51,324
Equipment/system repairs	63,222
Supplies and parts	10,913
Lab fees	2,575
Electricity - pumping	59,228
Scada service	2,895
CPA audit	5,500
Annual meeting	66
Accounting services	14,925
Billing software	1,854
Dues and publications	150
Duplication and printing	51
Insurance	6,582
Legal	771
Merchant processing fees	1,525
Office expense	1,080
Outside professional service	1,420
Permits and licenses	2,959
Postage	1,386
Telephone	1,528
Depreciation	<u>47,369</u>
 Total operating expenses	 <u>277,323</u>
 Operating income (carried forward)	 11,786

See notes to financial statements

WEST ALMANOR MUTUAL WATER COMPANY
STATEMENT OF OPERATIONS AND NET RESOURCES, continued
for the year ended December 31, 2019
(See Accountant's Review Report)

Operating income (brought forward)		\$ 11,786
Expenses, continued:		
Transfer fees	\$ 2,450	
Interest income	22,889	
Shop rent	<u>-</u>	
		<u>25,339</u>
Income before income taxes		37,125
Provision for corporate income taxes		<u>3,563</u>
Net income		33,562
Retained earnings:		
Beginning balance		<u>1,459,070</u>
Ending balance		<u>\$1,492,632</u>

See notes to financial statements

WEST ALMANOR MUTUAL WATER COMPANY
STATEMENT OF CASH FLOWS
for the year ended December 31, 2019
(See Accountant's Review Report)

Cash flows from operating activities:		
Operating income		\$ 11,786
Adjustments to reconcile change in equity to net cash provided by operating activities:		
Depreciation	\$ 47,369	
Other revenue	25,339	
California franchise tax	(3,563)	
Accounts receivable	(1,450)	
Prepaid expenses	(439)	
Current liabilities	<u>11,277</u>	
Total adjustments		<u>78,533</u>
Net cash provided by operating activities		90,319
Cash flows from investing activities:		
Utility plant additions	(154,918)	
Equipment reclassification	<u>2,318</u>	
		<u>(152,600)</u>
Net decrease in cash and cash equivalents:		(62,281)
Cash and cash equivalents:		
Beginning of year		<u>922,137</u>
End of year		<u>\$ 859,856</u>
Supplementary information:		
Cash paid for franchise tax		<u>\$ 3,563</u>

See notes to financial statements

WEST ALMANOR MUTUAL WATER COMPANY
NOTES TO FINANCIAL STATEMENTS
for the year ended December 31, 2019
(See Accountant's Review Report)

1. Organization:

West Almanor Mutual Water Company (the "Company") was formed May 2, 1974 under the laws of the State of California for the purpose of providing domestic water service to the properties within the Lake Almanor West development.

The Company operates as a mutual water company, that is, the shareholders of the company are the water users, and owners of real estate within the Company's service area. Pursuant to the Articles of Incorporation and Bylaws of the Company, shares are issued at the rate of one per parcel, and no one may buy more shares than the number of parcels he or she owns. Such shares may not be sold separately from the right to water evidenced by the share of stock in the water company.

The Company is governed by a Board of Directors which is elected at each annual meeting of shareholders.

2. Summary of Significant Accounting Policies:

The financial statements of the Company have been prepared in conformity with generally accepted accounting principles (GAAP) generally accepted in the United States of America. The more significant of the Company's accounting policies are described below.

Basis of Accounting

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.

WEST ALMANOR MUTUAL WATER COMPANY
NOTES TO FINANCIAL STATEMENTS, continued
for the year ended December 31, 2019
(See Accountant's Review Report)

2. Summary of Significant Accounting Policies, continued:

Depreciation

Utility plant and equipment 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, which vary from 5 to 40 years.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers all highly liquid investments purchased with an initial maturity of three months or less when purchased, including the Series EE savings bonds, to be cash equivalents.

Investments

Investments consist of certificates of deposit and Series EE savings bonds and are stated at fair value.

WEST ALMANOR MUTUAL WATER COMPANY
 NOTES TO FINANCIAL STATEMENTS, continued
 for the year ended December 31, 2019
 (See Accountant's Review Report)

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.

3. Cash and Cash Equivalents:

Cash and cash equivalents consist of the following at December 31, 2019:

	Balance December 31, <u>2019</u>
Operations:	
Cash in checking	\$ 33,690
Money market savings (2 accounts)	38,278
Certificates of deposit	<u>21,000</u>
	<u>92,968</u>
Capital improvements:	
Money market savings	4,805
Certificates of deposit	<u>10,000</u>
	<u>14,805</u>
Reserves:	
Money market savings	122,063
Certificates of deposit	545,000
Series EE savings bonds	<u>85,020</u>
	<u>752,083</u>
	<u>\$ 859,856</u>

WEST ALMANOR MUTUAL WATER COMPANY
 NOTES TO FINANCIAL STATEMENTS, continued
 for the year ended December 31, 2019
 (See Accountant's Review Report)

3. Cash and Cash Equivalents, continued:

The Company has a business checking account and a money market savings account at a local bank. At December 31, 2019 the carrying amount of these deposits was \$33,690 and the bank balance was \$31,484.

The Company's certificates of deposits and Series EE savings accounts are held by a brokerage firm. Interest on these investments are recognized in the period earned.

Deposits of \$250,000 are covered by Federal depository insurance. The Company did not have any uninsured balances at December 31, 2019.

All cash is unrestricted.

4. Utility Plant:

Changes in utility plant for the year ended December 31, 2019 are as follows:

	Balance January 1, <u>2019</u>	<u>Additions</u>	Disposals/ <u>Transfers</u>	Balance December 31, <u>2019</u>
Land and improvements	\$ 52,935	\$ 55,650	\$ -	\$ 108,585
Water system	1,913,015	58,022	18,531	1,952,506
Equipment	38,171	41,246	2,888	76,529
Hydrants	<u>4,545</u>	<u>-</u>	<u>2,318</u>	<u>2,227</u>
	<u>\$2,008,666</u>	<u>\$ 154,918</u>	<u>\$ 23,737</u>	<u>\$2,139,847</u>

WEST ALMANOR MUTUAL WATER COMPANY
NOTES TO FINANCIAL STATEMENTS, continued
for the year ended December 31, 2019
(See Accountant's Review Report)

5. Income Taxes:

The Company has received tax-exempt status under Internal Revenue Code Section 501(c)(12) and has been granted status as a tax-exempt corporation under California Tax Law. Accordingly, no provision for income taxes has been reflected in these financial statements.

The regular annual flat rate billing for water usage is not taxable, however, the State of California does tax the net surcharge revenue for excess water usage.

The Company's tax filings are subject to audit by various taxing authorities. Federal income tax returns for the previous three years remain open to examination by the Internal Revenue Service and California income tax returns for the previous four years remain open to examination by the Franchise Tax Board. In evaluating the Company's tax provisions and accruals, the Company believes that its estimates are appropriate based on current facts and circumstances.

The Company has adopted FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes. The Company has evaluated potential tax liabilities for the current and prior years, and does not anticipate any future liability due to tax uncertainties.

6. Risk of Loss:

The Company 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 Company purchased certain commercial insurance coverages to provide for these risks.

7. Subsequent Events:

Management has evaluated subsequent events through June 4, 2020, the date these December 31, 2019 financial statements were available to be issued.

SUPPLEMENTAL DATA

WEST ALMANOR MUTUAL WATER COMPANY
BOARD OF DIRECTORS

Dale Bornhorst

President

Bob Sloan

Vice President

Debbie Holden

Secretary

Bob Viets

Treasurer

Jack Isbell

Director