

WEST ALMANOR MUTUAL WATER COMPANY  
Financial Statements  
For the Year Ended December 31, 2015

WEST ALMANOR MUTUAL WATER COMPANY

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*Casey, Neilson Inc.*  
**Accountants and Advisors**

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
West Almanor Mutual Water Company:

***Report on the Financial Statements***

We have audited the accompanying financial statements of West Almanor Mutual Water Company which comprise the statement of financial position as of December 31, 2015 and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

***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 an opinion on these financial statements based on our audits. We conducted our audits 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 of material misstatement.

An audit includes 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 significant 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 opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of West Almanor Mutual Water Company as of December 31, 2015, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

***Disclaimer of Opinion on Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that Supplemental Schedule of Future Major Repairs and Replacements on page 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Financial 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.

***Disclaimer of Opinion on Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Actual to Budget Schedule, which is the responsibility of the Association's management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.



Carson City, Nevada  
April 29, 2016

WEST ALMANOR MUTUAL WATER COMPANY  
Statement of Financial Position  
December 31, 2015

ASSETS

Current Assets	
Cash & Cash Equivalents - Operating	\$ 102,378
Cash & Cash Equivalents - Reserve	264,673
Investments - Reserve	257,564
Accounts Receivable	8,448
Prepaid Expense	<u>3,143</u>
Total Current Assets	<u>636,206</u>
Property and Equipment	1,991,254
Accumulated Depreciation	<u>(1,320,145)</u>
Total Property and Equipment, Net	<u>671,109</u>
Total Assets	<u><u>\$ 1,307,315</u></u>

LIABILITIES & NET ASSETS

Current Liabilities	<u>\$ -</u>
Net Assets	
Capital Stock, \$1 par, 695 shares issued and outstanding	695
Unrestricted Net Assets	<u>1,306,620</u>
Total Net Assets	<u>1,307,315</u>
Total Liabilities & Net Assets	<u><u>\$ 1,307,315</u></u>

See accompanying notes

WEST ALMANOR MUTUAL WATER COMPANY  
Statement of Activities  
For the Year Ended December 31, 2015

Revenue	
Improved Lot Fees	\$ 139,236
Unimproved Lot Fees	34,946
Surcharge Billings	62,813
Interest	4,818
Fees	3,530
Other	175
Total Revenue	245,518
Cost of Sales	
Contract Services	51,324
Repairs and Maintenance	37,347
Electricity	35,071
Total Cost of Sales	123,742
Expenses	
Office Services	10,388
Depreciation	56,945
Insurance	7,547
Permits & Licenses	2,934
Professional Fees	4,725
Office Expenses	5,141
CA Franchise Tax	1,978
Total Expenses	89,658
Change in Net Assets	32,118
Unrestricted Net Assets at the Beginning of the Year	1,274,502
Unrestricted Net Assets at the End of the Year	\$ 1,306,620

See accompanying notes

WEST ALMANOR MUTUAL WATER COMPANY  
Statement of Cash Flows  
For the Year Ended December 31, 2015

Cash Flow From Operating Activities:	
Net Revenues Over (Under) Expenses	\$ 32,118
Adjustments to Reconcile Net Revenues to Net Cash Provided (Used) by Operating Activities:	
Depreciation	56,945
Accrued Interest on Series EE Savings Bonds	(2,820)
(Increase) decrease in:	
Accounts Receivable	(7,831)
Prepaid Expense	6
Net Cash Provided (Used) By Operating Activities	<u>78,418</u>
Cash Flows From Investing Activities:	
Maturity of Investments	40,000
Purchase of Investments	(185,000)
Purchase of Capital Assets	<u>(25,277)</u>
Net Cash Provided (Used) By Investing Activities	<u>(170,277)</u>
Net Increase (Decrease) in Cash	(91,859)
Cash at the Beginning of the Year	<u>458,910</u>
Cash at the End of the Year	<u><u>\$ 367,051</u></u>
Supplemental Disclosure of Cash Flow Information:	
Cash Paid For:	
California Franchise Taxes	<u><u>\$ 1,978</u></u>

See accompanying notes

## **NOTES TO FINANCIAL STATEMENTS**



WEST ALMANOR MUTUAL WATER COMPANY  
Notes to Financial Statements  
For the Year Ended December 31, 2015

Note 1 - Nature of Entity

West Almanor Mutual Water Company (the "Company") was formed in California as a nonprofit corporation on May 2, 1974. The Company provides water utility services to its members. Each Lake Almanor West property owner holds one share of stock in the Company, which is governed by a five person Board of Directors selected by the property owners at the annual stockholders meeting.

Note 2 - Summary of Significant Accounting Policies

- a. Basis of Presentation – The Company's financial statements are presented in conformity with Statement of Accounting Standards Codification 958-605 *Not-For-Profit Entities – Presentation of Financial Statements*.
- b. Revenue Recognition – The Company recognizes lot fees, utility surcharges, transfer and connection fees, and investment revenue when earned. Other revenues are generally insignificant and are recorded as revenue when received.
- c. Contributions – All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. The Company's contributions consist primarily of water storage and distribution assets contributed by contractors at the completion of housing subdivision construction within the Company's boundaries. The Company has not received any contributions with donor-imposed restrictions that would result in temporarily or permanently restricted net assets.
- d. Cash and Cash Equivalents – For the purpose of reporting cash flows, cash and cash equivalents include petty cash, cash in bank, and readily marketable equivalents in investment accounts with initial maturity dates of 3 months or less.
- e. Property and Equipment – Purchased or constructed capital assets are reported at cost or estimated historical cost. Contributed assets are recognized at their estimated fair value at the date of contribution. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend assets' lives are not capitalized.

Purchased or constructed assets are depreciated using the accelerated cost recovery method over useful estimated lives from 5 to 39 years. Contributed assets are depreciated using the straight line method over the assets useful lives.

Maintenance and repairs are charged to expense as incurred. Renewals and betterments which extend the useful lives of assets are capitalized.

WEST ALMANOR MUTUAL WATER COMPANY  
Notes to Financial Statements  
For the Year Ended December 31, 2015

Note 2 - Summary of Significant Accounting Policies (Continued)

- f. Prepaid Utility Fees – Cash received for utility fees are recognized as revenue to the extent that revenues for the related services have been earned.
- g. Estimates – The preparation of financial statements in conformity with Generally Accepted Accounting Principles 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.
- h. Investments – Investments are reported at face value plus accrued interest which approximates cost.

Note 3 - Fair Value Measurements

The Company follows the provisions of FASB ASC 820, *Fair Value Measurement*. Under ASC 820-10, fair value is defined as “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date”.

ASC 820-10 establishes a fair value hierarchy which categorizes inputs into three levels as follows:

- Level 1            Values are unadjusted quoted prices for identical assets or liabilities in active markets accessible at the measurement date.
- Level 2            Inputs include quoted prices for similar assets or liabilities in active markets, quoted proceeds from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument.
- Level 3            Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Company’s best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

In accordance with ASC 820-10 all of the Company’s certificates of deposit and the investment in Series EE Savings Bonds are classified as Level 2 investments.

WEST ALMANOR MUTUAL WATER COMPANY  
Notes to Financial Statements  
For the Year Ended December 31, 2015

Note 4 - 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 Company's federal income tax returns for years prior to 2012 are no longer subject to examination by the Internal Revenue Service.

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.

Note 5 - Cash and Cash Equivalents

The Company maintains its cash balances at several financial institutions. Accounts at each institution are secured by the Federal Deposit Insurance Corporation up to \$250,000. The Company did not have any uninsured balances at December 31, 2015. The following is a schedule of cash and cash equivalents reported in the financial statements:

Cash on hand	\$ 5,912
Plumas Bank Checking	14,241
Plumas Bank CD	20,000
Plumas Bank Money Market	27,376
Edward Jones Savings	34,849
Capital One Money Market	24,711
Edward Jones Money Market	36,705
Cal First National Money Market	<u>203,257</u>
Total	<u>\$ 367,051</u>

Note 6 - Investments

The Company holds several investments in US Savings Bonds and Certificates of Deposits with maturity dates greater than 3 months. Interest on these investments is recognized in the period in which it was earned.

WEST ALMANOR MUTUAL WATER COMPANY  
Notes to Financial Statements  
For the Year Ended December 31, 2015

Note 6 – Investments (Continued)

	<u>Date of Maturity</u>	
Investments – Reserve:		
US Savings Bond	March 2023	\$ 36,936
US Savings Bond	February 2024	35,628
Ally Bank – CD	May 2017	40,000
Bank of Baroda – CD	February 2017	25,000
First Financial Bank – CD	February 2016	30,000
First Financial Bank - CD	May 2016	30,000
Goldman Sachs Bank – CD	November 2016	<u>50,000</u>
Total		<u>\$ 247,564</u>

Note 7 – Investment Returns

Investment income is generated by interest on cash held in money market accounts, certificates of deposit and savings bonds. Total return is as follows:

Interest	\$ 4,818
Gain (loss) on investment	<u>-</u>
Total investment return	<u>\$ 4,818</u>

Note 8 - Property and Equipment

At December 31, 2015 the Company held the following property, equipment, and accumulated depreciation reported on the balance sheet:

	<u>12/31/13</u>	<u>Additions/ Dispositions</u>	<u>12/31/2014</u>
Land and Improvements	\$ 47,632	\$ 9,374	\$ 57,006
Water System	1,885,434	6,098	1,891,532
Equipment	37,220	951	38,171
Hydrant	<u>4,545</u>	<u>-</u>	<u>4,545</u>
	1,974,831	16,423	1,991,254
Accumulated Depreciation	<u>(1,272,052)</u>	<u>(48,093)</u>	<u>(1,320,145)</u>
Total, Net	<u>\$ 702,779</u>	<u>\$ (31,670)</u>	<u>\$ 671,109</u>

WEST ALMANOR MUTUAL WATER COMPANY  
Notes to Financial Statements  
For the Year Ended December 31, 2015

Note 9 - Related Party Transactions and Common Control

Until September 30, 2015, the Company had an agreement with the West Almanor Community Club (WACC) whereby the Company reimbursed WACC for office expenses. During the year ended December 31, 2015, the Company paid \$8,500, to WACC for office expenses. Additionally, the Company and WACC occupied and shared the same facilities for which no rent was allocated through September 30, 2015..

The Company and WACC operated under common management through September 30, 2015; however each entity had its own Board of Directors. The existence of this common management could have resulted in operating results or financial position of the Company different from those achievable had the Association not shared services.

Note 10 – Water Service Contract

Water Service Operation is managed by Durkin Construction, Inc. under a three year contract commencing May 1, 2012 and continuing in effect until April 30, 2016. This contract may be terminated by either party upon 30 days written notification.

Note 11 – Business Associate Contract

On October 1, 2015, the Company entered into a contract with Kim Taylor for management and administrative services. The contract provides for a monthly fee of \$550, and may be terminated at any time with a 30 day notice of intent to cancel.

Note 12 – Accounting Contract

The Company has contracted with Singleton Auman to provide annual and interim financial statements at a fee of \$330 per month.

Note 13 - Subsequent Events

The Company has evaluated subsequent events through April 29, 2016, the date which the financial statements were available to be issued. The Company does not believe that there are any material subsequent events.

## **SUPPLEMENTARY INFORMATION**

WEST ALMANOR MUTUAL WATER COMPANY  
Schedule of Actual to Budget  
For the Year Ended December 31, 2015

	<u>Actual</u>	<u>Budget</u>	Variance Favorable (Unfavorable)
<b>Revenue</b>			
Improved Lot Fees	\$ 139,236	\$ 139,519	\$ (283)
Unimproved Lot Fees	34,946	34,600	346
Surcharge Billings	62,813	62,000	813
Interest	4,818	4,425	393
Fees	3,530	3,993	(463)
Other	175	-	175
<b>Total Revenue</b>	<u>245,518</u>	<u>244,537</u>	<u>981</u>
<b>Cost of Sales</b>			
Contract Services	51,324	51,324	-
Repairs and Maintenance	37,347	35,500	(1,847)
Electricity	35,071	38,000	2,929
<b>Total Cost of Sales</b>	<u>123,742</u>	<u>124,824</u>	<u>1,082</u>
<b>Expenses</b>			
Office Services	10,388	12,000	1,612
Depreciation	56,945	-	(56,945)
Insurance	7,547	7,800	253
Permits & Licenses	2,934	3,000	66
Professional Fees	4,725	5,500	775
Office Expenses	5,141	3,480	(1,661)
CA Franchise Tax	1,978	1,500	(478)
<b>Total Expenses</b>	<u>89,658</u>	<u>33,280</u>	<u>(56,378)</u>
<b>Change in Net Assets</b>	<u>\$ 32,118</u>	<u>\$ 86,433</u>	<u>\$ (54,315)</u>

See independent accountant's review report

WEST ALMANOR MUTUAL WATER COMPANY  
Future Major Repairs and Replacements  
For the Year Ended December 31, 2015

Association Reserves-SF, LLC conducted a reserve study in December 2015 to estimate the remaining useful lives and the replacement costs of the components of common property. Funding requirements consider an annual inflation rate of 3.0% and interest at 1.0%, net of taxes, on amounts funded for future major repairs and replacements.

The balance of the reserve fund was \$522,237 as of December 31, 2015. The following information is based on the study and presents significant information about the components of common property.

<u>Components</u>	<u>Estimated Component Useful Life</u>	<u>Estimated Remaining Useful Life</u>	<u>Future Estimated Cost of Repairs or Replacement</u>
Asphalt	4-28	0-9	\$ 251,655
Fences	15-30	5-10	7,970
Well Houses	4	2	4,254
Roofs	28	0-27	41,356
Generator	20-40	5-25	252,815
Well Pump	15-40	3-15	176,760
Holding Tank	3-50	0-27	1,590,554
Pipe	70-125	29-89	26,927,799
Electrical Panels	30	3-25	57,037
Fire Hydrants	100	3	13,222
Pressure Regulators	50	8	41,170
			<u>\$ 29,364,592</u>