

ALLENSWORTH COMMUNITY SERVICES DISTRICT

FINANCIAL STATEMENTS  
WITH INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2016 AND 2015

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Allensworth Community Services District  
Allensworth, California

We were engaged to audit the accompanying financial statements of the business-type activities of Allensworth Community Services District as of and for the years ended June 30, 2016 and 2015, 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 an opinion 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. Because of the matter described in the "Basis for Disclaimer of Opinion" paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the business-type activities.

### Basis for Disclaimer of Opinion

The District was unable to provide supporting documents for several material transactions due to misplacement of accounting records. Due to the absence of sufficient documentation, we were unable to perform audit procedures to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the business-type activities.

## **Disclaimer of Opinion**

Because of the significance of the matter described in the "Basis for Disclaimer of Opinion" paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements referred to in the first paragraph.

## **Emphasis-of-Matter**


### *Required Supplementary Information*

Management has omitted the *Management's Discussion and Analysis (MD&A)* that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by 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. Our opinion on the basic financial statements is not affected by this missing information.

## **Other Matters**

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2020, on our consideration of Allensworth Community Services District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Allensworth Community Services District's internal control over financial reporting and compliance.



Visalia, California  
March 19, 2020

**ALLENSWORTH COMMUNITY SERVICES DISTRICT**  
**STATEMENTS OF NET POSITION**  
**JUNE 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 181,872	\$ 108,929
Accounts Receivable	21,496	15,221
Grants Receivable	<u>58,620</u>	<u>13,745</u>
Total Current Assets	<u>261,988</u>	<u>137,895</u>
<b>NON CURRENT ASSETS</b>		
Capital Assets:		
Nondepreciable	81,843	41,984
Depreciable, Net	<u>427,251</u>	<u>443,525</u>
Total Non Current Assets	<u>509,094</u>	<u>485,509</u>
<b>TOTAL ASSETS</b>	<u>771,082</u>	<u>623,404</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Prepaid Expenses	<u>600</u>	<u>600</u>

The accompanying notes are an integral part of these financial statements.

**ALLENSWORTH COMMUNITY SERVICES DISTRICT**  
**STATEMENTS OF NET POSITION**  
**JUNE 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<b>LIABILITIES AND NET POSITION</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 79,143	\$ 14,468
Accrued Expenses	1,039	1,039
Payroll Taxes Payable	1,413	650
Notes Payable, Current Portion	<u>2,284</u>	<u>2,186</u>
Total Current Liabilities	<u>83,879</u>	<u>18,343</u>
<b>NON CURRENT LIABILITIES</b>		
Notes Payable, Due in More than One Year	<u>85,277</u>	<u>87,573</u>
Total Non Current Liabilities	<u>85,277</u>	<u>87,573</u>
<b>TOTAL LIABILITIES</b>	<u>169,156</u>	<u>105,916</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Customer Deposits	<u>10,920</u>	<u>10,470</u>
<b>NET POSITION</b>		
Investment in Capital Assets, Net	421,533	395,750
Restricted	3,425	6,451
Unrestricted	<u>166,648</u>	<u>105,417</u>
<b>TOTAL NET POSITION</b>	<u>\$ 591,606</u>	<u>\$ 507,618</u>

The accompanying notes are an integral part of these financial statements.

**ALLENSWORTH COMMUNITY SERVICES DISTRICT  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<b>OPERATING REVENUES:</b>		
Service Fees	\$ 133,523	\$ 123,567
Total Operating Revenues	<u>133,523</u>	<u>123,567</u>
<b>OPERATING EXPENSES:</b>		
Auto Expense	282	3,305
Community Center Fee	911	2,762
Computer and Internet	280	839
Contracted Services	4,567	14,080
Depreciation	23,374	24,116
Insurance	7,120	9,430
License and Fees	237	6,468
Miscellaneous	38,127	13,587
Office Supplies	1,825	2,958
Payroll Expenses	16,844	20,115
Postage	409	1,477
Professional and Legal Services	45,924	32,982
Refunds	97	493
Supplies	-	990
Telephone	551	2,081
Utilities	8,349	23,158
Water Treatment	570	2,408
Total Operating Expenses	<u>149,467</u>	<u>161,249</u>
Operating Loss	<u>(15,944)</u>	<u>(37,682)</u>

The accompanying notes are an integral part of these financial statements.

**ALLENSWORTH COMMUNITY SERVICES DISTRICT  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>		
Intergovernmental Revenue	\$ 100,511	\$ 63,437
Interest Income	1,520	941
Other Income	1,929	2,635
Interest Expense	<u>(4,028)</u>	<u>(4,112)</u>
Nonoperating Revenues (Expenses), Net	<u>99,932</u>	<u>62,901</u>
Change in Net Position	83,988	25,219
<b>NET POSITION, Beginning of the Year</b>	<u>507,618</u>	<u>482,399</u>
<b>NET POSITION, End of the Year</b>	<u><u>\$ 591,606</u></u>	<u><u>\$ 507,618</u></u>

The accompanying notes are an integral part of these financial statements.

**ALLENSWORTH COMMUNITY SERVICES DISTRICT  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in Net Position	\$ 83,988	\$ 25,219
Adjustments to Reconcile Change in Net Position to Net Cash Flows from Operating Activities:		
Depreciation	23,374	24,116
(Increase) Decrease in Operating Assets:		
Accounts Receivable	(6,275)	7,072
Grants Receivable	(44,876)	(8,072)
Increase in Operating Liabilities:		
Accounts Payable	64,676	8,794
Customer Deposits	450	-
Payroll Taxes Payable	<u>763</u>	<u>153</u>
Net Cash Provided by Operating Activities	<u>122,100</u>	<u>57,282</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Construction in Progress	(39,859)	(25,509)
Acquisition of Equipment	<u>(7,100)</u>	<u>-</u>
Net Cash Used by Investing Activities	<u>(46,959)</u>	<u>(25,509)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Principal Payments on Long-Term Debt	<u>(2,198)</u>	<u>(2,114)</u>
Net Cash Used by Financing Activities	<u>(2,198)</u>	<u>(2,114)</u>
Net Increase in Cash	72,943	29,659
Cash - Beginning of Year	<u>108,929</u>	<u>79,270</u>
<b>CASH - END OF YEAR</b>	<u><u>\$ 181,872</u></u>	<u><u>\$ 108,929</u></u>
<b>SUPPLEMENTAL INFORMATION:</b>		
Interest Paid	<u><u>\$ 4,028</u></u>	<u><u>\$ 4,112</u></u>

The accompanying notes are an integral part of these financial statements.



**ALLENSWORTH COMMUNITY SERVICES DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

1. Summary of Significant Accounting Policies

Organization of the District

Allensworth Community Services District (the District) is a special district formed to provide water service for the Allensworth community. The District was formed in April 13, 1967 and is governed by a five member board of directors.

Reporting Entity

The District's basic financial statements include the accounts of all of its operations. The District evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the District's reporting entity, as set forth in Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, include whether:

- the organization is legally separate (can sue and be sued in its name)
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization's board
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the District
- there is fiscal dependency by the organization on the District
- exclusion of the organization would render the financial statements incomplete or misleading

Based on these criteria, the District has no component units. Additionally, the District is not a component unit of any other reporting entity as defined by the GASB statements.

Fund Accounting

The operations of the District are accounted for in an enterprise fund. An enterprise fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where costs (expenses, including depreciation) of providing services to the general public on a continuing basis are financed through user charges.

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts of the District and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The accrual basis of accounting is required for enterprise funds and is utilized by the District. Under this method, revenues are recorded when earned and expenses are recorded when incurred.

This report has been prepared in accordance with accounting principles generally accepted in the United States of America. The District applies all Governmental Accounting Standards Board pronouncements as well as the Financial Accounting Standards Board pronouncements issued after November 30, 1989, unless those pronouncements conflict with or contradict Governmental Accounting Standards Board pronouncements.

**ALLENSWORTH COMMUNITY SERVICES DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

1. Summary of Significant Accounting Policies (Continued)

Operating and Non-Operating Revenues

Operating revenues, such as charges for service, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as investment earnings, result from non-exchange transactions or ancillary activities.

Budgets and Budgetary Accounting

By state law, the District's governing board must approve a tentative budget no later than July 1 and adopt a final budget no later than September 15. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements.

These budgets are revised by the District's governing board during the year to give consideration to unanticipated income and expenditures.

Cash Equivalents and Investments

The District considers all highly liquid investments (including restricted cash and investments) with maturities of three months or less when purchased to be cash equivalents. This includes deposits with the County of Tulare ("County").

The County is authorized to deposit cash and invest excess funds by California Government Code Section 5648 et seq. The funds maintained by the County are either secured by federal depository insurance or are collateralized.

Information regarding the amount of dollars invested in derivatives with Tulare County Treasury indicates that the amount was less than 1% for the years ended June 30, 2016 and 2015.

Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amount reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Capital Assets

Property and equipment are reported at actual cost or estimated historical cost if historical records are not available. Donated assets are reported at estimated fair value at the time received. Maintenance and repairs are charged to expenses as incurred and improvements and renewals are capitalized.

Depreciation is calculated on the straight-line method over estimated useful lives which range from five to thirty-five years.

**ALLENSWORTH COMMUNITY SERVICES DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

1. Summary of Significant Accounting Policies (Continued)

Accumulated Vacation and Sick Leave

The District does not provide for accumulated vacation or sick leave, nor does it provide any retirement or other post employment benefits for its employees.

Accounts Receivable

The District deems all accounts receivable collectible; accordingly, no allowance for doubtful accounts is reported. If amounts become uncollectible, they will be charged to operations when the determination is made.

Net Position

Net position comprise the various net earnings from operating income, non-operating revenues and expenses and capital contributions. Net position are classified in the following three components:

*Investment in capital assets, net* - This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

*Restricted* - This component of net position consists of constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* - This component of net position consists of net position that does not meet the definition of "restricted" or "investment in capital assets, net".

Management's Review

In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through March 19, 2020, the date the financial statements were available to be issued.

**ALLENSWORTH COMMUNITY SERVICES DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

**2. Cash and Investments (Continued)**

Cash and investments are classified in the accompanying financial statements as of June 30, as follows:

	<u>2016</u>	<u>2015</u>
Cash in County Treasury	\$ 155,187	\$ 108,729
Bank of the Sierra	17,151	200
Undeposited Funds	<u>9,534</u>	<u>-</u>
Total Cash and Investments	<u>\$ 181,872</u>	<u>\$ 108,929</u>

The District's cash in the Tulare County Treasury is pooled with other entities and invested in several types of investments. The total of Tulare County Investments as of June 30, 2015 was as follows:

<u>Credit Rating</u>	<u>Book Value</u>	<u>Percentage of Portfolio</u>
AAA	\$ 81,768,572	7%
A-1+/A-1(Short-Term Rating)	128,204,096	10%
AA	634,711,023	53%
A	147,460,652	12%
SP-1+*	10,000,000	1%
Collateralized CD	10,000,000	1%
Not Rated**	70,413,522	6%
Cash***	<u>118,958,451</u>	<u>10%</u>
Total	<u>\$ 1,201,516,315</u>	<u>100%</u>

\*Municipal short-term rating for the County's TRANS debt by Standard and Poor's.

\*\*The \$50,000,000 portion of the portfolio that is not rated is invested in LAIF, the State of California pooled investment fund. The remaining portion not rated comprises individual securities with ratings by Moody's of A- or better.

\*\*\*\*Union Bank account; fully collateralized in accordance with California government code.

**ALLENSWORTH COMMUNITY SERVICES DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

**2. Cash and Investments (Continued)**

The District's cash in the Tulare County Treasury is pooled with other entities and invested in several types of investments. The total of Tulare County Investments as of June 30, 2016 was as follows:

<u>Credit Rating</u>	<u>Book Value</u>	<u>Percentage of Portfolio</u>
AAA	\$ 162,793,549	12%
A-1+/A-1(Short-Term Rating)	65,316,655	5%
AA	695,924,581	53%
A	106,822,648	8%
SP-1+*	10,000,000	1%
Collateralized CD	15,000,000	1%
Not Rated**	88,579,915	7%
Cash***	179,059,170	13%
Total	<u>\$ 1,323,496,518</u>	<u>100%</u>

\*Municipal short-term rating for the County's TRANS debt by Standard and Poor's.

\*\*The \$65,000,000 portion of the portfolio that is not rated is invested in LAIF, the State of California pooled investment fund. The remaining portion not rated comprises individual securities with ratings by Moody's of A3 or Fitch of A-, or better.

\*\*\*Union Bank account; fully collateralized in accordance with California government code.

Investments Authorized by the District's Investment Policy

The District's Investment Policy only authorizes investment in the local government investment pool administered by the County of Tulare, California. The District's investment policy does not contain any specific provisions intended to limit the District's exposure to interest rate risk, credit risk, and concentration of credit risk.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As of June 30, 2016 and 2015, the weighted average maturity of the investments contained in the County of Tulare investment pool is approximately 699 and 750 days, respectively.

**ALLENSWORTH COMMUNITY SERVICES DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

2. Cash and Investments (Continued)

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the maturity date of each investment.

<u>Investment Type</u>	<u>June 30,</u>	<u>Amount</u>	<u>Maturity Date</u>
County Investment Pool	2016	\$ <u>155,187</u>	699 Days
County Investment Pool	2015	\$ <u>108,729</u>	750 Days

Disclosures Relating to Interest Rate Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The County of Tulare Investment Pool does not have a rating provided by a nationally recognized statistical rating organization.

Concentration of Credit Risk

The investment policy of the County contains a limitation on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments in any one issuer that represents 33% or more of the County's investments at June 30, 2016 and 20% or more of the County's investments at June 30, 2015.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the County's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in possession of another party. The California Government Code and the County's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments.

With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

**ALLENSWORTH COMMUNITY SERVICES DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

2. Cash and Investments (Continued)

Investment in State Investment Pool

The County is a voluntary participant in the State Treasurer's Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported at amounts based upon the County's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

The Tulare County Treasurer is authorized to invest in the following:

A listing of the securities owned by Tulare County as of June 30, 2015 is shown below:

	Portfolio Composition		% of Portfolio	% Permitted
	Book Value	Market Value		
U.S. Treasuries	\$ 193,562,739	\$ 194,451,607	16%	100%
Federal Agencies	287,102,433	288,528,339	24%	75%
Supranationals	8,985,444	8,988,030	1%	30%
Negotiable Certificates of Deposit	60,007,752	60,014,176	5%	30%
Floating Rate Negotiable CD	13,796,995	13,798,320	1%	30%
Bank CD	10,000,000	10,000,000	1%	30%
Medium-Term/ Corporate Notes	244,881,469	244,774,503	20%	30%
Municipal Obligations	36,464,676	36,580,314	3%	30%
Agency Backed Securities	4,529,825	4,526,283	<1%	20%
Asset Backed Securities	56,415,699	56,391,202	5%	20%
Commercial Paper	13,741,445	13,741,735	1%	40%
Local Agency Investment Fund	50,000,000	50,000,000	4%	\$50 million
CAMP	20,184,825	20,184,825	2%	50%
Money Market Funds	2,421,912	2,421,912	<1%	15%
Money Market Accounts	80,462,651	80,462,651	7%	50%
Cash	118,958,451	118,958,451	10%	100%
	<u>\$ 1,201,516,316</u>	<u>\$ 1,203,822,347</u>	<u>100%</u>	

All cash is payable to the District upon demand. Allensworth Community Services District's portion of pooled funds at June 30, 2015 was \$108,729.

**ALLENSWORTH COMMUNITY SERVICES DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

2. Cash and Investments (Continued)

A listing of the securities owned by Tulare County as of June 30, 2016 is shown below:

	Portfolio Composition		% of Portfolio	% Permitted
	Book Value	Market Value		
U.S. Treasuries	\$ 254,480,376	\$ 258,826,489	19%	100%
Federal Agencies	288,917,111	292,941,754	22%	75%
U.S. Instrumentalities- Supranationals	33,502,955	33,672,970	3%	30%
Negotiable Certificates of Deposit	86,718,333	86,772,190	7%	30%
Floating Rate Negotiable CD	5,300,000	5,302,650	<1%	30%
Bank CD	15,000,000	15,000,000	1%	30%
Medium-Term/ Corporate Notes	203,120,078	205,595,638	15%	30%
Municipal Obligations	16,085,000	16,185,082	1%	30%
Agency Backed Securities	18,759,702	18,804,288	1%	20%
Asset Backed Securities	49,174,474	49,262,556	4%	20%
Commercial Paper	8,878,595	8,880,064	1%	40%
Local Agency Investment Fund	65,000,000	65,000,000	5%	\$65 million
CAMP	55,295,826	55,295,826	4%	50%
Money Market Funds	43,716,837	43,716,837	3%	15%
Money Market Accounts	488,060	488,060	<1%	50%
Cash	179,059,170	179,059,170	13%	100%
	<u>\$ 1,323,496,518</u>	<u>\$ 1,334,803,574</u>	<u>99%</u>	

All cash is payable to the District upon demand. Allensworth Community Services District's portion of pooled funds at June 30, 2016 was \$155,187.



**ALLENSWORTH COMMUNITY SERVICES DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

**3. Capital Assets**

A schedule of changes in capital assets for the year ended June 30, 2015 is shown below:

	Balance 7/1/14	Additions	Deletions	Balance 6/30/15
<b>Nondepreciable Capital Assets:</b>				
Land	\$ 2,139	\$ -	\$ -	\$ 2,139
Construction in Progress	14,336	25,509	-	39,845
 Total Nondepreciable Capital Assets	 16,475	 25,509	 -	 41,984
 <b>Depreciable Capital Assets:</b>				
Field Equipment	7,794	-	-	7,794
Office Equipment	8,976	-	-	8,976
Water System Improvements	900,867	-	-	900,867
 Total Depreciable Capital Assets	 917,637	 -	 -	 917,637
 <b>Less Accumulated Depreciation</b>				
Field Equipment	6,753	198	-	6,951
Office Equipment	7,074	444	-	7,518
Water System Improvements	436,169	23,474	-	459,643
 Total Accumulated Depreciation	 449,996	 24,116	 -	 474,112
 Net Depreciable Capital Assets	 467,641	 (24,116)	 -	 443,525
 Total Capital Assets, Net	 \$ 484,116	 \$ 1,393	 \$ -	 \$ 485,509

**ALLENSWORTH COMMUNITY SERVICES DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

**3. Capital Assets (Continued)**

A schedule of changes in capital assets for the year ended June 30, 2016 is shown below:

	Balance 7/1/15	Additions	Deletions	Balance 6/30/16
<b>Nondepreciable Capital Assets:</b>				
Land	\$ 2,139	\$ -	\$ -	\$ 2,139
Construction in Progress	39,845	39,859	-	79,704
<b>Total Nondepreciable Capital Assets</b>	<u>41,984</u>	<u>39,859</u>	<u>-</u>	<u>81,843</u>
<b>Depreciable Capital Assets:</b>				
Field Equipment	7,794	-	-	7,794
Office Equipment	8,976	-	-	8,976
Building and Improvements	-	7,100	-	7,100
Water System Improvements	900,867	-	-	900,867
<b>Total Depreciable Capital Assets</b>	<u>917,637</u>	<u>7,100</u>	<u>-</u>	<u>924,737</u>
<b>Less Accumulated Depreciation</b>				
Field Equipment	6,951	198	-	7,149
Office Equipment	7,518	444	-	7,962
Building and Improvements	-	79	-	-
Water System Improvements	459,643	22,653	-	482,296
<b>Total Accumulated Depreciation</b>	<u>474,112</u>	<u>23,374</u>	<u>-</u>	<u>497,486</u>
<b>Net Depreciable Capital Assets</b>	<u>443,525</u>	<u>(16,274)</u>	<u>-</u>	<u>427,251</u>
<b>Total Capital Assets, Net</b>	<u>\$ 485,509</u>	<u>\$ 23,585</u>	<u>\$ -</u>	<u>\$ 509,094</u>

**ALLENSWORTH COMMUNITY SERVICES DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

4. Long-Term Debt

Long-Term Debt consists of the following at June 30:

	<u>2016</u>	<u>2015</u>
Note Payable to United States Department of Agriculture. Due in 40 annual payments of \$6,226 including interest at 4.50% per annum, original note was \$114,540, secured by the District's water system. Loan matures on September 29, 2038.	\$ 87,561	\$ 89,759
Less Current Portion	<u>2,284</u>	<u>2,186</u>
Long-Term Portion	<u>\$ 85,277</u>	<u>\$ 87,573</u>

The debt payment schedule for the fiscal year ended June 30, 2015 is as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 2,186	\$ 4,040
2017	2,284	3,942
2018	2,387	3,839
2019	2,494	3,732
2020	2,607	3,619
2021	2,724	3,502
Thereafter	<u>75,065</u>	<u>35,625</u>
Total	<u>\$ 89,747</u>	<u>\$ 58,299</u>

The debt payment schedule for the fiscal year ended June 30, 2016 is as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 2,284	\$ 3,942
2018	2,387	3,839
2019	2,494	3,732
2020	2,607	3,619
2021	2,724	3,502
Thereafter	<u>75,065</u>	<u>35,625</u>
Total	<u>\$ 87,561</u>	<u>\$ 54,259</u>

**ALLENSWORTH COMMUNITY SERVICES DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

4. Long-Term Debt (Continued)

Changes in Long-Term Liabilities

Long-Term liability activity for the fiscal year ended June 30, 2015 was as follows:

	Balance 7/1/14	Additions	Reductions	Balance 6/30/15
United States Department of Agriculture	\$ 91,873	\$ -	\$ 2,114	\$ 89,759

Long-Term liability activity for the fiscal year ended June 30, 2016 was as follows:

	Balance 7/1/15	Additions	Reductions	Balance 6/30/16
United States Department of Agriculture	\$ 89,759	\$ -	\$ 2,198	\$ 87,561

5. Restricted Net Position

Net assets invested in capital assets, net of related debt for June 30 is computed as follows:

	2016	2015
Total capital assets, net of accumulated depreciation	\$ 509,094	\$ 485,509
Less related debt:		
United States Department of Agriculture	87,561	89,759
Investment in Capital Assets, Net	\$ 421,533	\$ 395,750

Restricted net position is computed as follows:

Restricted for Bond Payment	\$ 4,300	\$ 3,900
Restricted for Special Districts	(875)	2,551
Restricted Net Position	\$ 3,425	\$ 6,451

**ALLENSWORTH COMMUNITY SERVICES DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

**6. Risk Management**

The District has purchased commercial insurance policies for various risks of loss related to torts; theft, damage or destruction of assets; wrongful acts; injuries to employees; and employee health and life. Payments of premiums for these policies are recorded as expenses of the District. Insurance settlements have not exceeded insurance coverage in any of the past three years. There are no significant reductions in coverage compared to the prior years.

## OTHER INDEPENDENT AUDITOR'S REPORT

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

William D. Pine, CPA  
Karen C. Pedroncelli, CPA  
Gamaliel 'Gil' Aguilar, CPA

Audit Manager  
Lynette A. Garcia, CPA

Joanna G. Moffett, CPA  
Mihai I. Petrascu, CPA  
Aprille E. Wait, CPA  
Allen C. Dimick, CPA, MBA  
Corina A. Castro, CPA

Consultant  
Vern R. Onstine, CPA  
Richard J. Artis II, CPA

To the Board of Directors  
Allensworth Community Services District  
Allensworth, California

We were engaged to audit, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Allensworth Community Services District as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Allensworth Community Services District's basic financial statements and have issued our report thereon dated March 19, 2020. Our report disclaims an opinion on such financial statements because of the absence of sufficient accounting records and internal control.

**Internal Control Over Financial Reporting**

In connection with our engagement to audit the financial statements of Allensworth Community Services District, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Allensworth Community Services District's internal control. Accordingly, we do not express an opinion on the effectiveness of Allensworth Community Services District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. Finding #2014-1, #2014-2 and #2014-3.

## Compliance and Other Matters

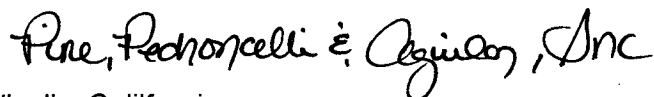
In connection with our engagement to audit the financial statements of Allensworth Community Services District, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. Additionally, if the scope of our work had been sufficient to enable us to express opinions on the basic financial statements, instances of noncompliance or other matters may have been identified and reported herein.

## Allensworth Community Services District's Response to Findings

Allensworth Community Services District's response to the findings identified in our engagement is described in the accompanying schedule of findings and questioned costs. Allensworth Community Services District's response was not subjected to the auditing procedures applied in the engagement to audit the financial statements and, accordingly, we express no opinion on it.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an engagement to perform an audit in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Visalia, California  
March 19, 2020



## FINDINGS AND RECOMMENDATIONS

**ALLENSWORTH COMMUNITY SERVICES DISTRICT  
AUDIT FINDINGS AND RECOMMENDATIONS  
FOR THE YEARS ENDED JUNE 30, 2016 and 2015**

Finding #2014-1

During the review of documentation and the District's general ledger, we found that the County Treasury accounts were not reconciled and that transactions were missing or improperly recorded. In addition, a bank account was opened with Bank of the Sierra. Although, the bank account had activity, the account and its activity were not recorded in the District's general ledger and the bank account was not reconciled. **(Repeat from 6/30/14 audit)**

Recommendation:

We recommend that all bank account activity, including County Treasury activity, be recorded and reconciled on a regular and timely basis to ensure that all activity is recorded.

Response:

The Board President will address the issue with the Finance Committee regarding employing a bookkeeper and will contact Self-Help Enterprises for assistance. The District's current manager is receiving training in QuickBooks in order to perform bookkeeping for the District.

Finding #2014-2

During our review of documentation provided for service revenue and accounts receivable, we found that accounts receivable and service revenue was not consistently recorded. The software in which the District tracks accounts receivable and service fees was not backed up on a regular basis, and as a result, the data was lost. In addition, what is recorded in the District's books is not traceable to customer's accounts and there was not sufficient documentation provided to show the accounts receivable collected and credited to customer's accounts from billing. **(Repeat from 6/30/14 audit with modified recommendation)**

Recommendation:

It is recommended that the accounts receivable from billing be reconciled to the accounts receivable recorded to the general ledger to ensure that all payments are properly recorded by the District. The District should keep a documented record for accounts receivable that can be traced to customers' past due accounts. It is also recommended that the District backup their accounts receivable system on a regular basis to prevent data loss.

**ALLENSWORTH COMMUNITY SERVICES DISTRICT  
AUDIT FINDINGS AND RECOMMENDATIONS  
FOR THE YEARS ENDED JUNE 30, 2016 and 2015**

Response:

Since January 2017, Allensworth Community Services District has kept a documental record of Accounts Receivable on its billing software, RVS. Board members and the office staff maintain hard copies of monthly customer past due accounts.

Finding #2014-3

During our review of the District's general ledger, we found that bookkeeping records were not maintained by the District after December 2015 and the records used to prepare the monthly financial reports were not saved.

Recommendation:

We recommend that the District keep adequate records to support all revenues and expenses, including deposits from others and grant funds. We also recommend that the District utilize the QuickBooks software it has to record all financial transactions and reconcile.

Response:

Bookkeeping records have been maintained since January 2017. Allensworth Community Services District will continue to work with Pine, Pedroncelli & Aguilar, Inc. on QuickBooks training.

**ALLENSWORTH COMMUNITY SERVICES DISTRICT  
STATUS OF PRIOR YEAR AUDIT FINDINGS AND RECOMMENDATIONS  
FOR THE YEAR ENDED JUNE 30, 2014**

Finding #2014-1

During the review of documentation and the District's general ledger, we found that the County Treasury accounts were not reconciled after December 2013 and that transactions were missing or improperly recorded. In addition, a bank account was opened with Bank of the Sierra. Although, the bank account had activity, the account and its activity were not recorded in the District's general ledger and the bank account was not reconciled.

Status: This has not been implemented. See Schedule of Audit Findings and Recommendations.

Finding #2014-2

During our review of documentation provided for service revenue and accounts receivable, we found that the amount of accounts receivable recorded was inconsistent with the amount of accounts receivable tracked and provided on the billing summary. In addition, what is recorded in the District's books is not traceable to customer's accounts and there was not sufficient documentation provided to show the accounts receivable collected and credited to customer's accounts from billing.

Status: This has not been implemented. See Schedule of Audit Findings and Recommendations.