

ALLENSWORTH COMMUNITY SERVICES DISTRICT

FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2019, 2018 AND 2017

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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 three years ended June 30, 2019 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 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.

Rine, Pedroncelli & Aguirre, Inc

Visalia, California
June 25, 2020

**ALLENSWORTH COMMUNITY SERVICES DISTRICT
STATEMENTS OF NET POSITION
JUNE 30, 2019, 2018 AND 2017**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 161,713	\$ 167,727	\$ 163,421
Accounts Receivable	21,111	22,284	22,461
Grants Receivable	856	34,963	-
	<u>183,680</u>	<u>224,974</u>	<u>185,882</u>
Total Current Assets			
NON CURRENT ASSETS			
Capital Assets:			
Nondepreciable	297,826	289,802	81,843
Depreciable, Net	357,993	380,742	403,722
	<u>655,819</u>	<u>670,544</u>	<u>485,565</u>
Total Non Current Assets			
	<u>839,499</u>	<u>895,518</u>	<u>671,447</u>
TOTAL ASSETS			
DEFERRED OUTFLOWS OF RESOURCES			
Prepaid Expenses	<u>600</u>	<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, 2019, 2018 AND 2017**

	2019	2018	2017
LIABILITIES AND NET POSITION			
CURRENT LIABILITIES			
Accounts Payable	\$ 4,427	\$ 59,988	\$ 12,645
Accrued Expenses	1,039	1,039	1,039
Payroll Taxes Payable	-	716	716
Notes Payable, Current Portion	2,724	2,607	2,494
Total Current Liabilities	8,190	64,350	16,894
NON CURRENT LIABILITIES			
Notes Payable, Due in More than One Year	77,505	79,727	82,684
Total Non Current Liabilities	77,505	79,727	82,684
TOTAL LIABILITIES	85,695	144,077	99,578
DEFERRED OUTFLOWS OF RESOURCES			
Customer Deposits	14,654	14,654	14,654
NET POSITION			
Investment in Capital Assets, Net	575,590	588,210	400,387
Restricted	399	399	399
Unrestricted	163,761	148,778	157,029
TOTAL NET POSITION	\$ 739,750	\$ 737,387	\$ 557,815

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

**ALLENSWORTH COMMUNITY SERVICES DISTRICT
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2019, 2018 AND 2017**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
OPERATING REVENUES:			
Service Fees	\$ 121,600	\$ 110,249	\$ 113,686
Total Operating Revenues	<u>121,600</u>	<u>110,249</u>	<u>113,686</u>
OPERATING EXPENSES:			
Community Center Fee	-	-	239
Computer and Internet	-	-	70
Contracted Services	103,409	93,928	95,786
Depreciation	22,749	22,980	23,529
Miscellaneous	-	3	-
Office Supplies	-	-	91
Payroll Expenses	-	20,474	24,582
Professional and Legal Services	26,099	-	88,068
Telephone	-	-	112
Utilities	-	-	1,255
Total Operating Expenses	<u>152,257</u>	<u>137,385</u>	<u>233,732</u>
Operating Loss	<u>(30,657)</u>	<u>(27,136)</u>	<u>(120,046)</u>
NONOPERATING REVENUES (EXPENSES):			
Intergovernmental Revenue	34,123	207,962	88,068
Interest Income	3,018	2,127	2,030
Interest Expense	<u>(4,121)</u>	<u>(3,381)</u>	<u>(3,843)</u>
Nonoperating Revenues (Expenses), Net	<u>33,020</u>	<u>206,708</u>	<u>86,255</u>
Change in Net Position	2,363	179,572	(33,791)
NET POSITION, Beginning of the Year	<u>737,387</u>	<u>557,815</u>	<u>591,606</u>
NET POSITION, End of the Year	<u>\$ 739,750</u>	<u>\$ 737,387</u>	<u>\$ 557,815</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, 2019, 2018 AND 2017**

	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:			
Change in Net Position	\$ 2,363	\$ 179,572	\$ (33,791)
Adjustments to Reconcile Change in Net Position to Net Cash Flows from Operating Activities:			
Depreciation	22,749	22,980	23,529
(Increase) Decrease in Operating Assets:			
Accounts Receivable	1,173	177	(965)
Grants Receivable	34,107	(34,963)	58,620
Increase (Decrease) in Operating Liabilities:			
Accounts Payable	(55,561)	47,343	(66,498)
Customer Deposits	-	-	3,734
Payroll Taxes Payable	(716)	-	(697)
Net Cash Provided (Used) by Operating Activities	4,115	215,109	(16,068)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Construction in Progress	(8,024)	(207,959)	-
Net Cash Used by Investing Activities	(8,024)	(207,959)	-
CASH FLOWS FROM FINANCING ACTIVITIES:			
Principal Payments on Long-Term Debt	(2,105)	(2,844)	(2,383)
Net Cash Used by Financing Activities	(2,105)	(2,844)	(2,383)
Net Increase (Decrease) in Cash	(6,014)	4,306	(18,451)
Cash - Beginning of Year	167,727	163,421	181,872
CASH - END OF YEAR	\$ 161,713	\$ 167,727	\$ 163,421
SUPPLEMENTAL INFORMATION:			
Interest Paid	\$ 4,121	\$ 3,381	\$ 3,843

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

ALLENSWORTH COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019, 2018 AND 2017

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 (a business-type activity). 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, 2019, 2018 AND 2017**

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 did not satisfy these requirements.

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

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.

Cash Equivalents and Investments

The District considers all highly liquid 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, 2019, 2018 and 2017.

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.

**ALLENSWORTH COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019, 2018 AND 2017**

1. Summary of Significant Accounting Policies (Continued)

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.

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.

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 June 25, 2020, the date the financial statements were available to be issued.

ALLENSWORTH COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019, 2018 AND 2017

2. Cash and Cash Equivalents

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

	<u>2019</u>		<u>2018</u>		<u>2017</u>
Cash in County Treasury	\$ 156,409	\$	140,969	\$	160,021
Bank of the Sierra	1,358		23,319		200
Undeposited Funds	<u>3,946</u>		<u>3,439</u>		<u>3,200</u>
 Total Cash and Cash Equivalents	 <u>\$ 161,713</u>	 \$	 <u>167,727</u>	 \$	 <u>163,421</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, 2017 was as follows:

<u>Credit Rating</u>	<u>Book Value</u>	<u>Percentage of Portfolio</u>
AAA	\$ 167,144,096	12%
A-1+/A-1(Short-Term Rating)	40,909,801	3%
AA	723,913,670	50%
A	212,185,022	15%
Collateralized CD	10,000,000	1%
Not Rated *	106,558,919	8%
Cash**	<u>153,726,061</u>	<u>11%</u>
 Total	 <u>\$ 1,414,437,569</u>	 <u>100%</u>

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

**Union Bank and Bank of the Sierra accounts; fully collateralized in accordance with California government code.

**ALLENSWORTH COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019, 2018 AND 2017**

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, 2018 was as follows:

<u>Credit Rating</u>	<u>Book Value</u>	<u>Percentage of Portfolio</u>
AAA	\$ 290,050,417	19%
A-1+/A-1 (Short-Term Rating)	50,558,417	3%
AA	667,594,910	43%
A	273,383,759	18%
BBB*	10,650,834	1%
Collateralized CD	10,000,000	1%
Not Rated**	100,346,283	6%
Cash***	141,894,531	9%
 Total	 \$ <u>1,544,479,150</u>	 <u>100%</u>

*Securities rated in the BBB category by S&P are rated A- or the equivalent or better by at least one NRSRO.

**The portion of the portfolio that is invested in LAIF, the State of California pooled investment fund, is not rated. The remaining portion not rated comprises individual securities with ratings on A- or the equivalent or better by at least one NRSRO.

***Fully collateralized in accordance with California Government Code.

**ALLENSWORTH COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019, 2018 AND 2017**

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, 2019 was as follows:

<u>Credit Rating</u>	<u>Book Value</u>	<u>Percentage of Portfolio</u>
AAA	\$ 206,086,925	13%
A-1+/A-1(Short-Term Rating)	96,375,433	6%
AA	827,490,682	51%
A	315,723,289	19%
BBB*	28,002,181	2%
Not Rated**	119,469,457	7%
Cash***	36,164,186	2%
 Total	 \$ <u>1,629,312,153</u>	 <u>100%</u>

*Securities rated in the BBB category by S&P are rated A- or the equivalent or better by at least one NRSRO or were rated A- or the equivalent or better by at least one NRSRO at time of purchase.

**The portion of the portfolio that is invested in LAIF, the State of California pooled investment fund, is not rated. The remaining portion not rated comprises individual securities with ratings of A- or the equivalent or better by at least one NRSRO.

***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, 2019, 2018 and 2017, the weighted average maturity of the investments contained in the County of Tulare investment pool is approximately 734, 711 and 786 days, respectively.

**ALLENSWORTH COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019, 2018 AND 2017**

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	2019	\$ <u>156,409</u>	734 Days
County Investment Pool	2018	\$ <u>140,969</u>	711 Days
County Investment Pool	2017	\$ <u>160,021</u>	786 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. In addition, the investment policy of the County also requires that no investments in any one issuer that represents 10% or more of the total County's investments.

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, 2019, 2018 AND 2017**

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, 2017 is shown below:

	<u>Portfolio Composition</u>		<u>% of Portfolio</u>	<u>% Permitted</u>
	<u>Book Value</u>	<u>Market Value</u>		
U.S. Treasuries	\$ 278,868,807	\$ 278,185,025	20%	100%
Federal Agencies	282,897,421	281,091,535	20%	75%
U.S. Instrumentalities-				
Supranationals	48,220,702	48,175,400	3%	30%
Negotiable CDs	96,818,662	96,947,540	7%	30%
Bank CD	10,000,000	10,000,000	1%	30%
Medium-Term				
Corporate Notes	263,426,761	263,761,588	19%	30%
Municipal Obligations	13,745,000	13,751,652	1%	30%
Agency Mortgage				
Backed Securities	16,931,646	16,764,964	1%	20%
Asset Backed Securities	80,428,876	80,351,274	6%	
Commercial Paper	40,859,758	40,859,880	3%	40%
Local Agency Investment				
Fund	65,000,000	65,000,000	5%	\$65 million
CAMP	60,651,448	60,651,448	4%	50%
Money Market Funds	2,812,384	2,812,384	<1%	15%
Money Market Accounts	50,043	50,043	<1%	50%
Cash	153,726,061	153,726,061	11%	100%
	<u>\$ 1,414,437,569</u>	<u>\$ 1,412,128,794</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, 2017 was \$160,021

**ALLENSWORTH COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019, 2018 AND 2017**

2. Cash and Investments (Continued)

A listing of the securities owned by Tulare County as of June 30, 2018 is shown below:

	Portfolio Composition		% of Portfolio	% Permitted
	Book Value	Market Value		
U.S. Treasuries	\$ 311,541,353	\$ 304,673,008	20%	100%
Federal Agencies	220,317,283	214,663,778	14%	
Agency Mortgage Backed Securities	24,569,887	23,995,445	2%	75%
U.S. Instrumentalities- Supranationals	79,518,741	78,452,852	5%	30%
Negotiable CDs	118,796,836	118,093,501	8%	30%
Floating Rate Negotiable CD	9,460,000	9,460,000	1%	30%
Bank CD	10,000,000	10,000,000	1%	30%
Medium-Term Corporate Notes	291,660,133	286,371,825	19%	30%
Municipal Obligations	12,540,000	12,521,802	1%	30%
Asset Backed Securities	87,144,831	86,504,355	6%	20%
Commercial Paper	19,893,417	19,889,400	1%	40%
Local Agency Investment Fund	65,000,000	65,000,000	4%	\$65 million
CAMP	151,139,426	151,139,426	10%	50%
Money Market Funds	1,002,712	1,002,712	<1%	15%
Money Market Accounts	20,045,539	20,045,539	1%	50%
Cash	121,848,992	121,848,992	8%	100%
	<u>\$ 1,544,479,150</u>	<u>\$ 1,523,662,634</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, 2018 was \$140,969.

**ALLENSWORTH COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019, 2018 AND 2017**

2. Cash and Investments (Continued)

A listing of the securities owned by Tulare County as of June 30, 2019 is shown below:

	Portfolio Composition		% of Portfolio	% Permitted
	Book Value	Market Value		
U.S. Treasuries	\$ 394,127,001	\$ 399,685,510	24%	100%
Federal Agencies	263,994,412	266,419,719	16%	
Agency Mortgage Backed Securities	37,985,390	37,976,081	2%	75%
U.S. Instrumentalities- Supranationals	79,000,934	79,342,017	5%	30%
Negotiable CDs	132,074,326	132,538,482	8%	30%
Floating Rate Negotiable CD	4,730,000	4,740,075	<1%	30%
Corporate Bonds and Notes	378,400,521	381,498,449	23%	30%
Municipal Obligations	21,680,000	21,679,126	1%	30%
Asset Backed Securities	59,362,511	59,625,632	4%	20%
Commercial Paper	72,573,638	72,642,630	4%	40%
Local Agency Investment Fund	62,334,185	62,334,185	4%	\$65 million
CAMP	86,591,273	86,591,273	5%	50%
Money Market Funds	293,776	293,776	<1%	15%
Money Market Accounts	20,270,493	20,270,493	1%	50%
Cash	15,893,694	15,893,694	1%	100%
	<u>\$ 1,629,312,153</u>	<u>\$ 1,641,531,140</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, 2019 was \$156,409.

**ALLENSWORTH COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019, 2018 AND 2017**

3. Capital Assets

A schedule of changes in capital assets for the year ended June 30, 2017 is shown below:

	Balance 7/1/16	Additions	Deletions	Balance 6/30/17
Nondepreciable Capital Assets:				
Land	\$ 2,139	\$ -	\$ -	\$ 2,139
Construction in Progress	79,704	-	-	79,704
Total Nondepreciable Capital Assets	81,843	-	-	81,843
Depreciable Capital Assets:				
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
Total Depreciable Capital Assets	924,737	-	-	924,737
Less Accumulated Depreciation				
Field Equipment	7,149	198	-	7,347
Office Equipment	7,962	444	-	8,406
Building and Improvements	79	237	-	316
Water System Improvements	482,296	22,650	-	504,946
Total Accumulated Depreciation	497,486	23,529	-	521,015
Net Depreciable Capital Assets	427,251	(23,529)	-	403,722
Total Capital Assets, Net	\$ 509,094	\$ (23,529)	\$ -	\$ 485,565

**ALLENSWORTH COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019, 2018 AND 2017**

3. Capital Assets (Continued)

A schedule of changes in capital assets for the year ended June 30, 2018 is shown below:

	Balance 6/30/17	Additions	Deletions	Balance 6/30/18
Nondepreciable Capital Assets:				
Land	\$ 2,139	\$ -	\$ -	\$ 2,139
Construction in Progress	79,704	207,959	-	287,663
Total Nondepreciable Capital Assets	81,843	207,959	-	289,802
Depreciable Capital Assets:				
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
Total Depreciable Capital Assets	924,737	-	-	924,737
Less Accumulated Depreciation				
Field Equipment	7,347	199	-	7,546
Office Equipment	8,406	401	-	8,807
Building and Improvements	316	236	-	552
Water System Improvements	504,946	22,144	-	527,090
Total Accumulated Depreciation	521,015	22,980	-	543,995
Net Depreciable Capital Assets	403,722	(22,980)	-	380,742
Total Capital Assets, Net	\$ 485,565	\$ 184,979	\$ -	\$ 670,544

**ALLENSWORTH COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019, 2018 AND 2017**

3. Capital Assets (Continued)

A schedule of changes in capital assets for the year ended June 30, 2019 is shown below:

	Balance 6/30/18	Additions	Deletions	Balance 6/30/19
Nondepreciable Capital Assets:				
Land	\$ 2,139	\$ -	\$ -	\$ 2,139
Construction in Progress	287,663	8,024	-	295,687
Total Nondepreciable Capital Assets	289,802	8,024	-	297,826
Depreciable Capital Assets:				
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
Total Depreciable Capital Assets	924,737	-	-	924,737
Less Accumulated Depreciation				
Field Equipment	7,546	198	-	7,744
Office Equipment	8,807	170	-	8,977
Building and Improvements	552	237	-	789
Water System Improvements	527,090	22,144	-	549,234
Total Accumulated Depreciation	543,995	22,749	-	566,744
Net Depreciable Capital Assets	380,742	(22,749)	-	357,993
Total Capital Assets, Net	\$ 670,544	\$ (14,725)	\$ -	\$ 655,819

**ALLENSWORTH COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019, 2018 AND 2017**

4. Long-Term Debt

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

	<u>2019</u>	<u>2018</u>	<u>2017</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.	\$ 80,229	\$ 82,334	\$ 85,178
Less Current Portion	<u>2,724</u>	<u>2,607</u>	<u>2,494</u>
Long-Term Portion	<u>\$ 77,505</u>	<u>\$ 79,727</u>	<u>\$ 82,684</u>

The debt payment schedule for the fiscal year ended June 30, 2017 is as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 2,494	\$ 3,732
2019	2,607	3,619
2020	2,724	3,502
2021	2,846	3,380
2022	2,975	3,251
Thereafter	<u>71,532</u>	<u>28,994</u>
Total	<u>\$ 85,178</u>	<u>\$ 46,478</u>

The debt payment schedule for the fiscal year ended June 30, 2018 is as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 2,607	\$ 3,619
2020	2,724	3,502
2021	2,846	3,380
2022	2,975	3,251
2023	3,108	3,118
Thereafter	<u>68,074</u>	<u>25,877</u>
Total	<u>\$ 82,334</u>	<u>\$ 42,747</u>

**ALLENSWORTH COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019, 2018 AND 2017**

4. Long-Term Debt (Continued)

The debt payment schedule for the fiscal year ended June 30, 2019 is as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 2,724	\$ 3,502
2021	2,846	3,380
2022	2,975	3,251
2023	3,108	3,118
2024	3,248	2,978
Thereafter	<u>65,328</u>	<u>22,898</u>
Total	<u>\$ 80,229</u>	<u>\$ 39,127</u>

Changes in Long-Term Liabilities

Long-Term liability activity for the fiscal year ended June 30, 2017 was as follows:

	<u>Balance 7/1/16</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/17</u>
United States Department of Agriculture	\$ <u>87,561</u>	\$ <u>-</u>	\$ <u>2,383</u>	\$ <u>85,178</u>

Long-Term liability activity for the fiscal year ended June 30, 2018 was as follows:

	<u>Balance 6/30/17</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/18</u>
United States Department of Agriculture	\$ <u>85,178</u>	\$ <u>-</u>	\$ <u>2,844</u>	\$ <u>82,334</u>

Long-Term liability activity for the fiscal year ended June 30, 2019 was as follows:

	<u>Balance 6/30/18</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/19</u>
United States Department of Agriculture	\$ <u>82,334</u>	\$ <u>-</u>	\$ <u>2,105</u>	\$ <u>80,229</u>

**ALLENSWORTH COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019, 2018 AND 2017**

5. Restricted Net Position

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total capital assets, net of accumulated depreciation	\$ 655,819	\$ 670,544	\$ 485,565
Less related debt: United States Department of Agriculture	<u>80,229</u>	<u>82,334</u>	<u>85,178</u>
Investment in Capital Assets, Net	<u>\$ 575,590</u>	<u>\$ 588,210</u>	<u>\$ 400,387</u>

Restricted net position is computed as follows:

Restricted for Bond Payment	\$ 4,300	\$ 4,300	\$ 4,300
Restricted for Special Districts	<u>(3,901)</u>	<u>(3,901)</u>	<u>(3,901)</u>
Restricted Net Position	<u>\$ 399</u>	<u>\$ 399</u>	<u>\$ 399</u>

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**

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, 2019, 2018 and 2017, 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 June 25, 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 #2017-1, #2017-2, #2017-3, #2017-4 and #2018-1.

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
June 25, 2020

FINDINGS AND RECOMMENDATIONS

**ALLENSWORTH COMMUNITY SERVICES DISTRICT
AUDIT FINDINGS AND RECOMMENDATIONS
FOR THE YEARS ENDED JUNE 30, 2019, 2018 AND 2017**

Finding #2017-1

During our audit, we found that the district lacked banking records for both the County Treasury accounts and the external bank account with Bank of the Sierra. There was no summary of deposits made to or checks paid from these bank accounts for the three years being audited.

Recommendation:

We recommend that all bank deposits and disbursements be recorded and reconciled on a regular and timely basis in QuickBooks to ensure the District has a general ledger available for these accounts.

Response:

We are currently updating our files on QuickBooks.

Finding #2017-2

During our review of the Sales and Receivables Report generated by the billing software, we found that although invoicing has been consistently recorded and tracked in this billing software, the accounts receivable balance has continued to be unreliable due to the missing invoice records prior to 2017. Additionally, payment collections are not being consistently tracked and reconciled against the funds deposited into the bank account which can potentially leave payment collections unaccounted for.

Recommendation:

It is recommended that management review the aging report and write off the balances that are not expected to be collected. Doing this as of 6/30/19 will provide a clean starting point for the upcoming years. Additionally, monthly billing totals and payment collections from the billing software should be recorded and reconciled in QuickBooks to ensure that all service revenue and payment collections are properly recorded by the District.

Response:

We are currently updating our files on QuickBooks.

Finding #2017-3

The District has not maintained a complete set of books since December of 2015 and thus no general ledgers have been provided. Due to the lack of accounting records, we've been unable to substantiate banking deposit and withdrawal activity, customer service revenues, payment collections and expense details.

Recommendation:

We recommend that the District begin using QuickBooks to record all activity from July 1, 2019 forward while using June 30, 2019 balances as the starting point. The District will also need to keep adequate records to support all revenues and expenses, including deposits from others and grant funds.

Response:

We are currently updating our files on QuickBooks.

**ALLENSWORTH COMMUNITY SERVICES DISTRICT
AUDIT FINDINGS AND RECOMMENDATIONS
FOR THE YEARS ENDED JUNE 30, 2019, 2018 AND 2017**

Finding #2017-4

As required by GASB No. 34, a local government should prepare and include in the audited financial statements "Management's Discussion and Analysis" which is required supplementary information.

Recommendation:

We recommend that the District contact the County of Tulare for assistance in preparing the Management's Discussion and Analysis and the information and format to use.

Response:

We will comply with this recommendation.

Finding #2017-5

As required by state law, the District's governing board must approve a final budget by September 15 for each fund held by the District.

Recommendation:

The District should approve a final budget for each fund beginning with the 2020/2021 fiscal year to ensure they are in compliance with the required state law.

Response:

Going forward we will comply with the state law and approve a budget for each fund held by the District.

Finding #2018-1

As required by the USDA loan agreement, one-tenth of the annual average loan payment should be transferred to the reserve fund. It appears that no transfers were made during the June 30, 2018 or June 30, 2019 fiscal years.

Recommendation:

We recommend that the District comply with the loan agreement and continue making transfers to the reserve fund.

Response:

We will contact the County to begin transferring funds to the District's Reserve Fund to ensure that the District is in compliance with the USDA loan agreement.

**ALLENSWORTH COMMUNITY SERVICES DISTRICT
STATUS OF PRIOR YEAR 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 with modified recommendation)**

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.

Status:

Although the District is receiving help from outside sources, banking records remain incomplete and unreconciled. See updated Finding #2017-1.

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.

Status:

Billing software reports appear to contain complete billing activity. However, due to data loss several years ago, the accounts receivable balance continues to be unreliable. See updated Finding #2017-2.

**ALLENSWORTH COMMUNITY SERVICES DISTRICT
STATUS OF PRIOR YEAR AUDIT FINDINGS AND RECOMMENDATIONS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

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.

Status:

The District's record keeping for revenues has improved, however, no documentation was provided to justify amounts and allocation of expenditures. See updated Finding #2017-3.