

**Apple Valley Heights  
County Water District**

**Report on Audit**

**June 30, 2014 and 2013**

**Apple Valley Heights County Water District**  
(A Special District)

June 30, 2014 and 2013

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## INDEPENDENT AUDITORS' REPORT

The Board of Directors  
Apple Valley Heights County Water District  
Apple Valley, California

We have audited the accompanying financial statements of Apple Valley Heights Water District, as of and for the years ended June 30, 2014 and June 30, 2013, and the related notes to the 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.

### **Auditors' 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 State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Apple Valley Heights County Water District, as of June 30, 2014 and 2013, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America, as well as accounting systems prescribed by the State Controller's Office and the state regulations governing Special Districts.

## **Other Matters**

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information, shown on page 15, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Messner & Hadley, LLP.*

Messner & Hadley, LLP  
Certified Public Accountants

November 20, 2014

# **Apple Valley Heights County Water District**

(A Special District)

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2014 and 2013

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### **THE AGENCY**

Apple Valley Heights County Water District (the "District") was formed January 17, 1957, under the provision of the California Water Code. Its boundaries encompass approximately 960 acres. The District is governed by the board of directors (five members) elected by the voters within the District for four year terms. The District provides water to customers within its boundaries.

### **THE BASIC FINANCIAL STATEMENTS**

Apple Valley Heights County Water District is a special purpose government (special district) engaged only in activities that support themselves through user charges and tax levies. Accordingly, the accompanying financial statements are presented in the format prescribed for proprietary funds by the Governmental Accounting Standards Board. As a proprietary fund, the Agency uses the full accrual basis of accounting. Proprietary fund statements offer short-term and long-term financial information about the activities that operate like a business.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The notes are located immediately after the basic financial statements.

The basic financial statements are made up of the statement of net assets, statement of revenues, expenses, and changes in net assets, and the statement of cash flows. Each statement is described in detail below.

The statement of net assets presents information on the District's assets and liabilities. Assets reflect what is owned and liabilities reflect what is owed. The difference between assets and liabilities is reported as net assets. The change in net assets is one way to measure the District's financial health. Increases and decreases are indicators of whether its financial health is improving or deteriorating, respectively.

The statement of revenues, expenses and changes in net assets describes the results of the District's financial activities during the years reported. It shows the change in net assets by comparing operating and non-operating revenues with operating and non-operating expenses. Operating revenues and expenses relate to the principal business activity of the District. All other revenues and expenses are classified as non-operating.

The statement of cash flows describes to the financial statement users how the District managed its cash during the year. It tells the user from what sources the District received cash and for what purposes cash was used. The statement converts operating income (or loss) from the statement of revenues, expenses and changes in net assets into actual cash provided by and used in operations. Additionally, the statement of cash flows details how the District obtains and spends cash for investing financing activities.

**Apple Valley Heights County Water District**  
(A Special District)

MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2014 and 2013

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**SUMMARY FINANCIAL INFORMATION ANALYSIS**

**Net Assets**

As illustrated in the following table, the June 30, 2014 fiscal year ended with an increase in net assets of approximately \$1,544.

	<u>2014</u>	<u>2013</u>	<u>Net Change</u>
Total assets	\$ 648,733	\$ 661,583	\$ (12,850)
Total liabilities	77,700	92,094	(14,394)
<b>Net assets</b>	<u>\$ 571,033</u>	<u>\$ 569,489</u>	<u>\$ 1,544</u>
Revenues	\$ 262,744	\$ 234,739	\$ 28,005
Expenses	261,200	260,036	1,164
<b>Change in net assets</b>	1,544	(25,297)	26,841
<b>Net Assets - Beginning</b>	<u>569,489</u>	<u>594,786</u>	<u>(25,297)</u>
<b>Net Assets - Ending</b>	<u>\$ 571,033</u>	<u>\$ 569,489</u>	<u>\$ 1,544</u>

**Capital Assets**

The District had capital asset purchases of \$52,230 during the year.

	<u>2014</u>	<u>2013</u>	<u>Net Change</u>
Land	\$ 4,873	\$ 4,873	\$ -
Plant and equipment	1,116,485	1,064,255	52,230
Accumulated depreciation	(678,597)	(647,844)	(28,941)
<b>Total Capital Assets</b>	<u>\$ 442,761</u>	<u>\$ 421,284</u>	<u>\$ 23,289</u>

**Long-Term Liabilities**

	<u>2014</u>	<u>2013</u>	<u>Net Change</u>
<b>Total Long-Term Liabilities</b>	<u>\$ (66,600)</u>	<u>\$ (77,700)</u>	<u>\$ 11,100</u>

**Apple Valley Heights County Water District**  
(A Special District)

MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2014 and 2013

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**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

The financial report is designed to provide our citizens, taxpayers, and customers with a general overview of the District's financials and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District at 9429 Cerra Vista St. Apple Valley, CA 92308

## **FINANCIAL STATEMENTS**

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**Apple Valley Heights County Water District**  
(A Special District)

STATEMENTS OF NET ASSETS  
June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 149,589	\$ 172,954
Accounts receivable and other current assets	56,383	67,345
Total current assets	<u>205,972</u>	<u>240,299</u>
Non-current assets:		
Utility plant, net	<u>442,761</u>	<u>421,284</u>
 <b>TOTAL ASSETS</b>	 <u><u>\$ 648,733</u></u>	 <u><u>\$ 661,583</u></u>
 <b>LIABILITIES</b>		
Current liabilities:		
Accrued expenses	\$ -	\$ 3,294
Current portion of long-term debt	11,100	11,100
Total current liabilities	<u>11,100</u>	<u>14,394</u>
Non-current liabilities		
Loan payable	<u>66,600</u>	<u>77,700</u>
<b>Total liabilities</b>	<u>77,700</u>	<u>92,094</u>
 <b>NET ASSETS</b>		
Invested in capital assets, net of related debt	365,061	332,484
Unrestricted	<u>205,972</u>	<u>237,005</u>
<b>Total net assets</b>	<u>571,033</u>	<u>569,489</u>
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	 <u><u>\$ 648,733</u></u>	 <u><u>\$ 661,583</u></u>

See Accompanying Notes and Auditors' Report

**Apple Valley Heights County Water District**  
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STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
For the Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<b>OPERATING REVENUES</b>		
Water sales and services	\$ 230,113	\$ 213,479
Standby charges	21,474	21,474
<b>Total operating revenues</b>	<u>251,587</u>	<u>234,953</u>
 <b>OPERATING EXPENSES</b>		
Source of supply	17,012	11,697
Pumping	20,252	29,150
Transmission and distribution	53,219	74,166
General and administrative	140,231	117,496
Depreciation	30,756	27,527
<b>Total operating expenses</b>	<u>261,470</u>	<u>260,036</u>
 <b>OPERATING INCOME</b>	 (9,883)	 (25,083)
 <b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest income	65	124
Miscellaneous	11,362	(338)
<b>Total non-operating revenues (expenses)</b>	<u>11,427</u>	<u>(214)</u>
 <b>CHANGE IN NET ASSETS</b>	 1,544	 (25,297)
 Net Assets - Beginning	 <u>569,489</u>	 <u>594,786</u>
 Net Assets - Ending	 <u><u>\$ 571,033</u></u>	 <u><u>\$ 569,489</u></u>

See Accompanying Notes and Auditors' Report

**Apple Valley Heights County Water District**  
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STATEMENTS OF CASH FLOWS  
For the Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<b>Cash flows from operating activities</b>		
Cash received from customers	\$ 255,214	\$ 229,653
Cash payments to suppliers for goods and services	(89,859)	(134,079)
Cash payments to employees and directors for services	<u>(136,814)</u>	<u>(93,859)</u>
Net cash provided by operating activities	28,541	1,715
<b>Cash flows provided by (used in) non-capital and related financing activities</b>	11,362	(338)
<b>Cash flows from capital and related financing activities</b>		
Cash used for purchase of equipment	<u>(52,233)</u>	<u>(33,345)</u>
Net cash used in capital and related financing activities	(52,233)	(33,345)
<b>Cash flows from investing activities</b>		
Cash payments on long-term debt	(11,100)	(11,100)
Interest received	<u>65</u>	<u>124</u>
Net cash provided by provided by (used in) investing activities	<u>(11,035)</u>	<u>(10,976)</u>
NET INCREASE (DECREASE) IN CASH	(23,365)	(42,944)
Cash - Beginning	<u>172,954</u>	<u>215,898</u>
Cash - Ending	<u>\$ 149,589</u>	<u>\$ 172,954</u>
<b>Reconciliation of cash and cash equivalents to the statements of net assets</b>		
Reconciliation of operating income (loss) to cash provided by (used in) operating activities:		
Operating income (loss)	\$ 1,544	\$ (25,297)
Depreciation	30,756	27,527
Miscellaneous non-operating revenue / expense	(11,427)	212
(Increase) decrease:		
Accounts receivable and other current assets	10,962	10,962
Accrued expenses	(3,294)	(416)
Deferred revenue	<u>-</u>	<u>-</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 28,541</u>	<u>\$ 12,988</u>

See Accompanying Notes and Auditors' Report