

MEADOW VISTA COUNTY WATER DISTRICT

OFFICE HOURS MONDAY THRU FRIDAY — 8 TO 4:30

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**CLERK OF THE
BOARD OF SUPERVISORS**

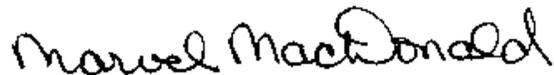
March 21, 2007

Placer County Board of Supervisors
175 Fulweiler Avenue
Auburn, CA 95603

Subject: Annual Audit Report

Enclosed, please find a copy of Meadow Vista County Water District's 2006 Annual Audit Report and 2007 Final Budget for your records.

Sincerely,



Marvel MacDonald
Office Manager

Enclosures

cc: Therese Leonard

MEADOW VISTA COUNTY WATER DISTRICT

OFFICE HOURS MONDAY THRU FRIDAY -- 8 TO 4:30

JANUARY 1 through DECEMBER 31, 2007-- FINAL BUDGET

ESTIMATED REVENUES

Water Sales	704,101	
New Meter Sets	11,000	
Service, Late Penalty, Disconnect/Reconnect Fees	10,550	
M & O Property Taxes & State Tax Shift	280,388	
Interest & Misc. Income	7,912	
Sub-Total General Fund Revenues		\$1,013,951

ESTIMATED RESTRICTED FUND REVENUES

Major Facilities Fees	140,000
SRF Loan Repayment Fee	230,576

TOTAL ESTIMATED REVENUES \$1,384,527

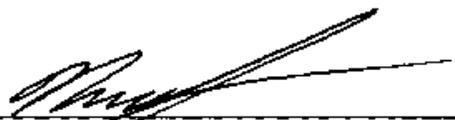
ESTIMATED EXPENSES

51000 - Water	122,000	
53000 - Water Treatment	267,140	
54000 - Transmission & Distribution	185,398	
55000 - Customer Accounts	85,284	
56000 - Administration	127,579	
57000 - Depreciation Expense	193,920	
59000 - Non-Op. Expenses	32,630	
Sub-Total General Fund Expenses		\$1,013,951

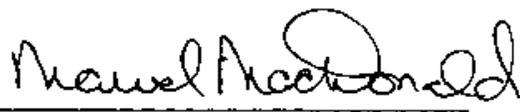
Unallocated Major Facilities Fees	140,000
SRF Loan Repayment Fee Transfer	230,576

TOTAL ESTIMATED EXPENSES \$1,384,527

Submitted by:



Norman A. Dean, Jr.
General Manager/Secretary



Marvel MacDonal
Office Manager

MEADOW VISTA COUNTY WATER DISTRICT

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT**

December 31, 2006

TABLE OF CONTENTS

	<u>Pages</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-7
Financial Statements:	
Balance Sheet	8
Statement of Revenues, Expenses and Changes in Net Assets	9-10
Statement of Cash Flows	11-12
Notes to Financial Statements	13-20
Supplemental Information:	
Principal Officials	22

**ROBERT
W.
JOHNSON**

**An Accountancy Corporation
Certified Public Accountant**

6234 BIRDCAGE STREET • CITRUS HEIGHTS, CA 95610-5949 • (916) 723-2555

Independent Auditor's Report

To the Board of Directors
Meadow Vista County Water District
Meadow Vista, California

We have audited the accompanying balance sheet of Meadow Vista County Water District as of December 31, 2006, and the related statements of revenues, expenses and changes in net assets and cash flows for the year then ended, as listed in the table of contents. These financial statements are the responsibility of the District's management. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosure in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Meadow Vista County Water District as of December 31, 2006 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis is not a required part of the financial statements but is supplemental information required by the Government Auditing Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

The accompanying supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of Meadow Vista County Water District. 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.

Robert W. Johnson, An Accountancy Corporation

Citrus Heights, California

March 6, 2007

MEADOW VISTA COUNTY WATER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended December 31, 2006

The following discussion and analysis of the Meadow Vista County Water District (the "District") and its financial performance provides an overview of the District's financial activities, prepared by its management for the year ending December 31, 2006. This discussion and analysis should be read in conjunction with the District financial statements and accompanying notes, which follow this section.

Background

Meadow Vista, is located at the 1750' elevation in the Sierra Foothills, just above the city of Auburn, along the I-80 corridor. The present population is approximately 3650. The District supplies only domestic water and currently services 1358 accounts, residential and commercial, within its 6.25 square mile service area.

The District was formed in 1950 pursuant to the provisions of the California Water code. A five member Board of Directors, that set policy and oversee finances, governs the District. District officers include the Chairman and Vice-Chairman of the Board, three Board members, and Secretary to the Board. The five members of the Board are elected from within the District boundaries for staggered four-year terms. The Board appoints the General Manager/Secretary to the Board who is responsible for the operations of the District.

District employees consist of the General Manager, one full-time water treatment plant operator, two full-time field operators, and two full-time office personnel. Temporary labor is utilized on an at-need basis for capital projects.

2006 Rates and Charges

It is the philosophy of the District that water rates and charges be increased only when necessary, and increases should be kept minimal. Rates and charges are reviewed annually by the Board to ensure that all District financial responsibilities can be met, and exceptional water quality and service can continue to be provided. When it does become necessary to increase rates and charges due to increased external financial obligations and implementation of imposed regulations, the District will attempt to make only small incremental rate and charge increases so as not to financially burden customers.

During the annual review of water rates and charges the Board of Directors deemed that it would not be necessary to increase fees during the 2006 period. Therefore, the 2006 charge per unit (748 gallons) of water was kept at the 2005 price of 93 cents while the monthly state tax-shift remained at \$8.08. The service charge for a standard 5/8" household meter was also kept at the 2005 rate of \$13.50 per month.

Financial Highlights

Due to increasing regulations imposed by the State of California and the associated costs of implementing these regulation requirements, combined with an aging infrastructure, the District was approved in 2004 for a low interest loan (2.5132%) through the Safe Drinking Water State Revolving Fund. This loan, for the requested amount of \$10,864,355, will enable the District to upgrade the water treatment plant and replace the current in-ground reservoir that holds 1.8

million gallons of treated water with two aboveground 0.9 million-gallon storage tanks. Project studies, mapping, and engineering have been completed. It is projected that construction will begin in the summer of 2007.

Financial Reporting

Management's discussion and analysis of the Meadow Vista County Water District's financial performance provides an overview of the District's activities as well as its financial condition for the year ended December 31, 2006. For this report, the District has implemented Governmental Accounting Standards Board (GASB) statement No. 34 that establishes financial reporting standards for state and local governments, including special districts such as Meadow Vista County Water District.

Summary of Financial Statements

Balance Sheet Summary

ASSETS	<u>December 31, 2005</u>	<u>December 31, 2006</u>
FIXED ASSETS		
Water Utility Plant	\$5,465,346	\$5,769,306
Less, Accumulated Depreciation	<u>(\$1,982,893)</u>	<u>(\$2,130,669)</u>
	\$3,482,453	\$3,638,637
CURRENT ASSETS		
Cash	\$214,128	\$215,069
Temporary Investments	\$42,970	\$33,086
Accounts Receivable	\$128,178	\$204,742
Inventory - Materials & Supplies	\$34,292	\$38,523
Pre-paids	<u>\$10,273</u>	<u>\$10,001</u>
	\$429,841	\$501,411
RESTRICTED ASSETS		
Major Facilities Reserve, Cash & Investments	\$87,263	\$91,378
Cash in Savings, Contingency Reserve	\$88,157	\$90,509
Cash in Savings, Vehicle Replacement	\$30,359	\$45,535
Cash - Revenue Bond Reserve fund	\$10,214	\$10,451
Cash - State of CA Loan Reserve	\$2,560	<u>\$14,133</u>
Cash - Revenue Bond Debt Service	<u>\$24,093</u>	<u>\$23,780</u>
	\$242,646	\$275,786
TOTAL ASSETS	\$4,154,940	\$4,415,834

Summary of Financial Statements Continued

LIABILITIES	<u>December 31, 2005</u>	<u>December 31, 2006</u>
LONG TERM LIABILITIES		
Revenue Bonds Payable, Net of Current Portion	\$310,000.00	\$280,000.00
DRW Loan Payable	\$73,305	\$66,379
CURRENT LIABILITIES		
Current Maturities	\$30,000	\$30,000
Accounts Payable & Accrued Liabilities	\$25,512	\$135,637
Deposits	\$22,915	\$22,815
Winchester Property Development - Deposits	<u>\$750</u>	<u>\$750</u>
TOTAL LIABILITIES	\$462,482	\$535,581
FUND EQUITY		
Restricted	\$10,000	\$10,000
Investment in Capital means, net of related debt	\$3,069,148	\$3,262,258
Unrestricted	<u>\$613,310</u>	<u>\$607,995</u>
TOTAL FUND EQUITY	\$3,692,458	\$3,880,253
TOTAL LIABILITIES & FUND EQUITY	\$4,154,940	\$4,415,834

Statement of Revenues & Expense

	<u>December 31, 2005</u>	<u>December 31, 2006</u>
Operating Revenues	\$602,008	\$655,837
Operating Expenses	<u>(\$876,501)</u>	<u>(\$922,976)</u>
OPERATING PROFIT/LOSS	(\$274,493)	(\$267,139)
Non-Operating Revenues	\$433,657	\$472,855
Non-Operating Expenses	(\$20,903)	(\$17,921)
NET INCOME	\$138,261	\$187,795

Additional Financial Notes

1. Capital assets net increase with addition of Meter Sets/Major Facilities Fees received from homebuilders at Winchester County Club.
2. Operating revenues net increase due to increased home and commercial service and water usage at Winchester County Club.

Conclusion

The District's current Board of Directors is a cohesive blend of conscientious and diligent community members, who have the District's best interest at heart.

The Board of Directors meets the third Thursday of each month at 3:30 p.m. Meetings are held at the District Office, located at 17000 Placer Hills Road, Meadow Vista, CA 95722. Community members are cordially invited to attend.

For more information regarding the subjects contained herein, please contact Norman A. Dean, Jr., General Manager/Secretary to the Board by phone at (530) 878-0828.

MEADOW VISTA COUNTY WATER DISTRICT
BALANCE SHEET
December 31, 2006

ASSETS

Current assets:

Cash	\$ 215,059
LAIIF	33,086
Accounts receivable - utility	53,244
- taxes	120,255
- other	31,243
Inventory - materials and supplies	38,523
Prepays	<u>10,001</u>

Total current assets \$ 501,411

Capital assets, at cost (Notes 4 and 5)	5,575,863
Less, accumulated depreciation	<u>2,130,669</u>
	3,445,194
Construction in progress	<u>193,443</u>

3,638,637

Restricted assets (Note 3) 275,786

\$4,415,834

See notes to financial statements

LIABILITIES AND FUND EQUITY

Current liabilities:

Current maturities (Note 5)	\$ 37,005
Accounts payable and accrued liabilities	135,637
Customer and other deposits	<u>23,565</u>

Total current liabilities \$ 196,207

Long-term debt, net of current portion (Note 5) 339,374

Net assets:

Invested in capital assets, net of related debt	3,262,258
Restricted	10,000
Unrestricted	<u>607,995</u>

3,880,253

\$4,415,834

MEADOW VISTA COUNTY WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
for the year ended December 31, 2006

Operating revenues:		
Sales - residential		\$ 560,588
- business		60,332
- bulk and misc. water sales		2,092
New meter sets		19,500
Other service charges		3,485
Other		<u>9,840</u>
Total operating revenues		655,837
Operating expenses:		
Source of supply	\$ 112,234	
Water treatment	227,445	
Transmission and distribution	221,693	
Customer accounts	82,341	
Administrative and general	131,487	
Depreciation	<u>147,776</u>	
Total operating expenses		<u>922,976</u>
Operating loss		(267,139)
Non-operating income (expense):		
Major facilities fees	146,200	
Interest income	13,235	
Property taxes	183,520	
State tax shift	114,063	
Out of District fees	144	
Interest expense	(17,921)	
Other	<u>15,693</u>	
		<u>454,934</u>
Income (loss) before contributions (carried forward)		187,795

See notes to financial statements

MEADOW VISTA COUNTY WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS, continued
for the year ended December 31, 2006

Income (loss)	
before contributions	
(brought forward)	\$ 187,795
Capital contributions	<u> -</u>
Change in net assets	187,795
Total net assets:	
Beginning	<u>3,692,458</u>
Ending	<u>\$3,880,253</u>

See notes financial statements

MEADOW VISTA COUNTY WATER DISTRICT
 STATEMENT OF CASH FLOWS
 for the year ended December 31, 2006

Cash flows from operating activities:		
Receipts from customers		\$ 791,134
Payments to suppliers		(549,490)
Payments to employees		<u>(331,505)</u>
Net cash provided to operating activities		(89,861)
Cash flows from noncapital financing activities:		
Receipts from property taxes and other nonoperating income		459,620
Cash flows from capital and related financing activities:		
Purchase of capital assets	\$(303,960)	
Principal paid on capital debt	(36,926)	
Interest paid on capital debt	<u>(17,921)</u>	(358,807)
Cash flows from investing activities:		
Interest income		<u>13,235</u>
Net increase in cash and cash equivalents		24,187
Cash and cash equivalents:		
Beginning of year		<u>499,744</u>
End of year		<u>\$ 523,931</u>

See notes to financial statements

214

MEADOW VISTA COUNTY WATER DISTRICT
 STATEMENT OF CASH FLOWS, continued
 for the year ended June 30, 2006

Reconciliation of operating income (loss) to net cash provided to operating activities:		
Operating loss		\$(267,139)
Adjustments to reconcile operating loss to net cash provided to operating activities:		
Depreciation expense	\$ 147,776	
Changes in operating assets and liabilities:		
Receivables	(76,564)	
Inventory	(4,231)	
Prepaid expense	272	
Payables	110,125	
Deposits	<u>(100)</u>	
		<u>177,278</u>
Net cash provided to operating activities		\$(<u>89,861</u>)
Supplementary information:		
Cash paid for interest		\$ <u>17,921</u>

See notes to financial statements

215

MEADOW VISTA COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

1. Organization:

Meadow Vista County Water District (the "District") was organized April 18, 1950 under provisions of Section 30520 Water Code of the State of California.

2. Summary of Significant Accounting Policies:

The accounting policies of the Meadow Vista County Water District conform to generally accepted accounting principles applicable to enterprise funds. The District applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

Fund Accounting

The District is an enterprise fund. All operations are accounted as an enterprise fund.

Enterprise Fund - The enterprise fund is used to account for water operations that are financed and operated in a manner similar to private business enterprises. The intent of the District is that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

Basis of Accounting

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

The District's books and accounts are based upon the Uniform System of Accounts for Public Utilities as prescribed by the Division of Local Government Fiscal Affairs of the State of California. The records are maintained and the accompanying financial statements are presented on the accrual basis of accounting.

Inventories

Inventories have been valued at the lower of cost (first-in, first-out) or market.

MEADOW VISTA COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

2. Summary of Significant Accounting Policies, continued:

Depreciation

Property, plant and equipment is recorded on the basis of purchase cost. Assets acquired by contributions are recorded at estimated cost or fair market value at the date of acquisition.

Depreciation is calculated by the straight-line method over the estimated useful lives of the respective assets as follows:

Water plant	10-75 years
General plant equipment	5-50 years
Vehicles	5-30 years

Statement of Cash Flows

All highly liquid investments with a maturity of three months or less when purchased, are considered to be cash equivalents. The investment with the State Treasurer's Local Agency Investment Fund (LAIF) is also considered to be the equivalent of cash.

Compensated Absences

Vested or accumulated vacation and sick leave that is expected to be liquidated with expendable available financial resources is reported as an expense and as a current liability.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

MEADOW VISTA COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

2. Summary of Significant Accounting Policies, continued:

Budget and Budgetary Accounting

The Board of Directors annually adopts an operating budget. The operating budgets are prepared on the accrual basis to match the operating statements.

Investments

Investments consist of LAIF (State of California pooled investment fund). Investments are stated at market value. Such investment is within the State statutes and the District's investment policy.

3. Cash and Investments:

Cash and investments consist of the following at December 31, 2006:

Operating	\$ 248,145
Restricted	<u>275,786</u>
Total cash and investments	\$ <u>523,931</u>

MEADOW VISTA COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

3. Cash and Investments, continued:

Deposits:

At year-end the carrying amount of the District's deposits was \$263,423 and the total of the bank balance and cash held by the County was \$306,891. Of the bank balance, \$100,000 was covered by Federal depository insurance; the remaining \$206,891 was covered by collateral held in the pledging bank's trust department as mandated by state law.

	Balance, December 31, <u>2006</u>
Checking	\$ 217,264
Bond reserve held by Placer County	10,451
Bond debt service held by Placer County	23,780
State of CA loan reserve held by trustee	11,633
Cash on hand	<u>295</u>
 Total deposits	 \$ <u>263,423</u>

Investments:

California statutes authorize the District to invest in a variety of credit instruments as provided for in the California Government Code Section 53600, Chapter 4 - Financial Affairs. The Government Code allows investments in obligations of the U.S. Treasury, agencies, and instrumentalities, commercial paper rated A-1 by Standard & Poor's or P-1 by Moody's Commercial Paper Record, bankers' acceptances, repurchase agreements, medium-term corporate notes, mutual funds and the State Treasurer's Local Agency Investment Fund (LAIF). The investment in LAIF is reported at fair value.

	<u>Carrying Amount</u>	<u>Market Value</u>
Balance, December 31, 2006,		
Local Agency Investment Fund	\$ <u>260,508</u>	\$ <u>260,508</u>

Pursuant to Government Accounting Standards Board Statement 3, the investment in LAIF is not classified in categories of credit risk. The District's funds in LAIF are invested in a diversified portfolio (of underlying investments e.g. U.S. Treasury obligations) such that it considers the risk of material loss to be minimal. The funds held in LAIF can be withdrawn on demand.

MEADOW VISTA COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

3. Cash and Investments, continued:

Restricted Cash and Investments:

The District sets aside funds for special purposes such as construction of future plant improvements and debt service. At December 31, 2006, the District had set aside the following in cash and investments for special purposes:

	Balance, December 31, <u>2006</u>
Major facilities	\$ 91,378
Contingency	90,509
Vehicle replacement	45,535
Revenue bond service	10,451
Revenue bond debt service	23,780
State of CA loan reserve	11,633
Safe Drinking Water Act	<u>2,500</u>
Total restricted cash and investments	<u>\$ 275,786</u>

4. Property, plant and equipment:

At December 31, 2006 the District's investment in plant consists of:

	<u>Cost</u>	<u>Accumulated Depreciation</u>
Water plant	\$4,921,955	\$1,859,176
General plant equipment	405,594	112,994
Vehicles	<u>248,314</u>	<u>158,499</u>
Totals	<u>\$5,575,863</u>	<u>\$2,130,669</u>

220

MEADOW VISTA COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

5. Long-Term Debt:

Water Bonds

The District issued \$800,000 in water revenue bonds in 1975 to finance the construction of a new water treatment plant. These bonds are secured by a pledge of revenues.

The District is required to maintain a separate bond reserve debt service fund with the County. A bond reserve balance of \$10,000 is also held by the County.

Interest of five percent (5%) per annum and principal are payable on July 1 of each year. Bond principal requirements, payable through 2014, are as follows:

<u>Date</u>	<u>Principal</u>
2007	\$ 30,000
2008	35,000
2009	35,000
2010	40,000
2011	40,000
2012-2014	<u>130,000</u>
	310,000
Less current maturity	<u>30,000</u>
	<u>\$280,000</u>

221

MEADOW VISTA COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

5. Long-Term Debt, continued:

In 2004, the District entered into a loan for \$73,305 with the State of California – Department of Water Resources. The purpose of this loan was to fund a planning and engineering study for new water storage tanks. The loan bears interest at 2.513% with interest paid semi-annually; principal payments are made annually. Principal payments did commence in 2006 with repayment terms estimated as follows:

<u>Date</u>	<u>Principal</u>
2007	\$ 7,005
2008	7,093
2009	7,182
2010	7,272
2011	7,364
Thereafter	<u>30,463</u>
	66,379
Less, current maturity	<u>7,005</u>
	<u>\$59,374</u>

6. Pension Plan:

The District has a defined benefit pension plan under Section 408(k) of the Internal Revenue Code which is available to eligible full-time employees who satisfy the requisite probationary period. The District's pension plan contribution rate is 8% of the employee's base salary. The District contributed \$24,220 to the pension plan in 2006. All accrued pension plan contributions are funded annually at the close of each calendar year.

The Board established a California Public Employees Deferred Compensation Plan for the benefit of its employees. Participation in this plan is at the discretion of the individual employee at no expense to the District.

222

MEADOW VISTA COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

7. Lease Obligation:

The District leases the land for the reservoir and easements for pipelines to the reservoir under a 50 year agreement which expires on January 2, 2012. Annual lease obligation is \$125 and the total lease obligation through 2012 is \$625.

8. Risk of Loss:

The District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; and injuries to employees. During 2006, the District purchased certain commercial insurance coverages to provide for these risks.

SUPPLEMENTAL DATA

MEADOW VISTA COUNTY WATER DISTRICT
PRINCIPAL OFFICIALS
December 31, 2006

Board of Directors:

Sandy Hoffman	Chairperson
Brenda McGuire	Vice-Chairperson
Anthony O. AhMu	Director
Dale Rhoades	Director
Anne A. Jewett	Director

Management:

Norman A. Dean, Jr.	General Manager
Marvel G. MacDonald	Office Manager

