

FALL RIVER VALLEY COMMUNITY SERVICES DISTRICT

**AUDIT REPORT
FOR THE YEAR ENDED
JUNE 30, 2019**

FALL RIVER VALLEY COMMUNITY SERVICES DISTRICT
Audited Financial Statements
JUNE 30, 2019

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Independent Auditors' Report

Board of Directors
Fall River Valley Community Services District
Fall River Mills, CA 96028

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Fall River Valley Community Services District (District) as of and for the year 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.

Auditors' Responsibility

Our responsibility is to express opinions 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 of 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 District'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.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Fall River Valley Community Services District as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and budgetary comparison information identified in the table of contents be presented to supplement the basic financial statements.

Management has omitted the budgetary comparison information for the General Fund. Such missing information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board, who consider it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements 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 the 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 the District's internal control over financial reporting and compliance.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read 'SingletonAuman PC', followed by a horizontal line and a small 'PK' mark.

SingletonAuman PC

Susanville, CA

November 18, 2019

FALL RIVER VALLEY COMMUNITY SERVICES DISTRICT
Management's Discussion and Analysis (MD&A)
June 30, 2019

INTRODUCTION

Fall River Valley Community Services District's present operations include providing water and sewer services to residents of the District.

Our discussion and analysis of Fall River Valley Services District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2019. It should be read in conjunction with the District's financial statements, including notes and supplementary information, which follow this section.

FINANCIAL HIGHLIGHTS

- ❑ Total net position was \$2,874,318 at June 30, 2019.
- ❑ Overall revenues were \$1,190,476 and expenses were \$639,381 resulting in a net increase in assets \$551,095.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts—management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The three sections together provide a comprehensive overview of the District. The basic financial statements are comprised of a statement of revenue, expenses, and changes in net assets, and a statement of cash flows. The District's management has presented the financial statements in separate funds for the year ended June 30, 2019. Water utility and sewer utility operations are shown in separate proprietary funds and the general fund, which includes the park activities, is shown as a governmental fund.

The statement of net position shows the District's financial status as of the end of its fiscal year, June 30, 2019. The statement of revenues, expenses, and changes in net position shows the changes in the District's equity during the fiscal year ended June 30, 2019. The statement of cash flows shows the changes in cash during the fiscal year ended June 30, 2019 for the proprietary funds.

The district conducts the majority of its financial activities in two enterprise, or business-type funds. The dominate source of funding for these operations is normally user charges paid by the District's water and sewer customers.

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

The District's combined net position was \$2,874,318 at June 30, 2019. See Table 1.

Table 1: Net Position

			Total Percentage Change 2019-2018
	2019	2018	
Assets:			
Cash and Investments	\$ 320,958	\$ 154,926	107.17%
Accounts Receivable-Customers	70,267	81,491	-13.77%
Accounts Receivable- Grantors	75,847	19,762	283.80%
Due from Other Funds	781,659	536,379	45.73%
Inventory	19,498	19,498	0.00%
Prepaid Expenses	3,860	(61)	-6427.87%
Capital Assets, Net of Accumulated Depreciation	3,123,735	2,644,700	18.11%
TOTAL ASSETS	\$ 4,395,824	\$ 3,456,695	27.17%
Deferred Outflows of Resources			
Deferred Contributions to District Pension Plan	\$ 66,400	\$ 84,102	-21.05%
Liabilities:			
Accounts Payable and Accrued Expenses	\$ 87,451	73,471	19.03%
Utility Deposits	4,425	5,756	-23.12%
Due to Other Funds	781,659	537,421	45.45%
Current Portion of Long-Term Debt	32,555	24,243	34.29%
Net Pension Liability	224,393	241,477	N/A
Non-Current Portion of Long-Term Debt	443,142	528,257	-16.11%
TOTAL LIABILITIES	\$ 1,573,625	\$ 1,410,625	11.56%
Deferred Inflows of Resources			
Deferred Pension Plan Income	\$ 14,282	\$ 13,038	9.54%
Net Position			
Net Investment in Capital Assets	\$ 2,633,038	\$ 2,092,200	25.85%
Restricted for Debt Service	77,171	24,243	218.32%
Unrestricted	164,108	691	23649.35%
TOTAL NET POSITION	\$ 2,874,317	\$ 2,117,134	35.76%

Changes in Net Position

Operating revenues from user service charges normally make-up the majority of total revenues. User fees were 65.9% of total revenues for the 18/19 fiscal year. This percentage is lower than usual due to the large capital grant for the Water System Improvement. Nevertheless, user fees increased from the prior year by \$117,624.

Table 2:
Changes in Net Position

	Government-Wide Activities		Total Percentage
	2019	2018	Change
			2018-2019
Revenues			
<u>Program Revenues:</u>			
Charges for Services	\$ 691,787	\$ 574,163	20.49%
Capital Grants and Contributions	393,686	209,987	87.48%
<u>General Revenues:</u>			
Property Taxes	46,130	97,247	-52.56%
Miscellaneous Income	58,874	2,102	2700.86%
TOTAL REVENUES	<u>1,190,477</u>	<u>883,499</u>	34.75%
<u>Program Expenses:</u>			
Water and Sewer	624,097	674,267	-7.44%
General Fund	394	27,182	-98.55%
TOTAL EXPENSES	<u>624,491</u>	<u>701,449</u>	-10.97%
Increase / (Decrease) in Net Position	<u>\$ 565,986</u>	<u>\$ 182,050</u>	210.90%

Table 3 presents the cost of each of the District's functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by charges for services, operating grants and capital grants and contributions.

The amount that our taxpayers paid for these activities through property taxes was \$46,130.

Table 3
Net Revenue (Cost) from Government-Wide Activities

	Total Cost of Services		Net Revenue (Cost) from Services	
	2019	2018	2019	2018
Water and Sewer	\$ 624,097	\$ 681,723	\$ 194,176	\$ 102,427
TOTAL	<u>\$ 624,097</u>	<u>\$ 681,723</u>	<u>\$ 194,176</u>	<u>\$ 102,427</u>

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The overall financial performance of the District as a whole is reflected in the communication between the Board of Directors and the District employees as they all work together in providing the best quality of service to its customers.

Budgetary Highlights

The District approves its annual budget prior to the beginning of the year. The District does not revise its annual budget to reflect unexpected changes in revenues and expenditures. A schedule of the District's original and final budget amounts compared with actual revenues and expenses is provided in the supplemental section of the audited financial report.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2019, the District had invested \$3,123,735 in a broad range of capital assets, including land and the water and sewer systems. During the year the District invested in pumps, a dump trailer, steel traffic plates, and a generator.

See Table 4. More detailed information about the District's capital assets is presented in the notes to the financial statements.

Table 4
Capital Assets

	Governmental and Business-Type Activities		Total Percentage Change
	2019	2018	2018-2019
Land	\$ 218,731	\$ 77,954	180.59%
Building	21,512	21,512	0.00%
Water System	3,535,535	2,498,390	41.51%
Sewer System	1,618,248	1,614,709	0.22%
Construction in Process (Restated -See Note 9)	474,110	1,313,628	-63.91%
Equipment	265,851	235,097	13.08%
Amortized Asset	74,946	74,946	100.00%
Totals at Historical Cost	6,208,933	5,836,236	6.39%
Total Accumulated Depreciation/Amortization	(3,085,198)	(2,964,874)	4.06%
NET CAPITAL ASSETS	\$ 3,123,735	\$ 2,871,362	8.79%

Table 5
Long-Term Debt

	Business-Type Activities		Change
	2019	2018	2018-19
1979 Sewer Revenue Bonds	\$ -	\$ 44,000	-100.00%
Net Pension Liability	224,393	241,477	-7.07%
2012 USDA Loan	451,496	459,627	-1.77%
Plumas Bank Loan	24,201	38,053	-36.40%
Total Debt Payable	<u>\$ 700,090</u>	<u>\$ 783,157</u>	-10.61%

The District's debt balance decreased due to normal debt payments.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, participants, investors and creditors with a general overview of the District's finances 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:

Fall River Valley Community Services District
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FINANCIAL SECTION

FALL RIVER VALLEY COMMUNITY SERVICES DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2019

	Governmental Activities General Fund	Business-Type Activities Water and Sewer Activities	Total
ASSETS			
Current Assets:			
Cash on Hand and in Banks	\$ (766,094)	\$ 1,087,052	\$ 320,958
Accounts Receivable-Customers		70,267	70,267
Accounts Receivable-Grantors	65,782	10,065	75,847
Due from Other Funds	781,659		781,659
Prepaid Expenses		3,860	3,860
Inventory		19,498	19,498
Total Current Assets	81,347	1,190,742	1,272,089
Non-Current Assets			
Property, Plant & Equipment, Net	359,522	2,764,213	3,123,735
Total Non-Current Assets	359,522	2,764,213	3,123,735
Total Assets	\$ 440,869	\$ 3,954,955	\$ 4,395,824
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Recognition Contributions to Pension Plan	\$ -	\$ 66,400	\$ 66,400
LIABILITIES			
Current Liabilities:			
Accounts Payable	\$ 54,214	\$ 26,315	\$ 80,529
Utility Deposits		4,425	4,425
Accrued Payroll and Related Liabilities	4,908	1,638	6,546
Due to Other Funds	-	781,659	781,659
Accrued Interest Payable		375	375
Current Portion of Long Term Debt		32,555	32,555
Total Current Liabilities	59,122	846,967	906,089
Long Term Liabilities:			-
Net Pension Liability	-	224,393	224,393
Non-Current Portion of Long Term Debt		443,142	443,142
Total Long Term Liabilities	-	667,535	667,535
Total Liabilities	\$ 59,122	\$ 1,514,502	\$ 1,573,624
DEFERRED INFLOWS OF RESOURCES			
Deferred Recognition of Pension Plan Earnings	\$ -	\$ 14,282	\$ 14,282
NET POSITION			
Net Investment in Capital Assets	\$ 359,522	\$ 2,273,516	\$ 2,633,038
Restricted for Debt Service		77,171	77,171
Unrestricted	22,225	141,884	164,109
Total Net Position	\$ 381,747	\$ 2,492,571	\$ 2,874,318

The accompanying notes are an integral part of this statement.

FALL RIVER VALLEY COMMUNITY SERVICES DISTRICT
STATEMENT OF ACTIVITIES
JUNE 30, 2019

	Program Revenue		Net (Expense) Revenue and Changes in Net Position Governmental Activities	Net (Expense) Revenue and Changes in Net Position Business-Type Activities	Net (Expense) Revenue and Changes in Net Position Total Activities
	Charges For Services	Capital Grants and Contributions			
Governmental Activities					
General Fund	\$ 394	\$ -	\$ 267,200	\$ -	\$ 266,806
Business - Type Activities					
Water Utility	459,066	545,208	-	86,142	86,142
Sewer Utility	165,031	146,579	126,486	108,034	108,034
Total Business - Type Activities	624,097	691,787	126,486	194,176	194,176
Total Primary Government Activities	\$ 624,491	\$ 691,787	\$ 393,686	194,176	460,982
General Revenues:					
Property Taxes				46,129	46,129
Other Local Income			12,999	45,875	58,874
Total General Revenue			12,999	92,004	105,003
General Expenses:					
Interest Expense				(14,890)	(14,890)
Total General Expenses				(14,890)	(14,890)
Change in Net Position			279,805	271,290	551,095
Net Position Beginning, as restated (Note 9)			101,942	2,221,280	2,323,222
Net Position Ending			\$ 381,747	\$ 2,492,570	\$ 2,874,317

The accompanying notes are an integral part of this statement.

FALL RIVER VALLEY COMMUNITY SERVICES DISTRICT
GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2019

	<u>General Fund</u>
ASSETS	
Accounts receivable-Grantors	\$ 65,782
Due from other funds	<u>781,659</u>
TOTAL ASSETS	<u><u>\$ 847,441</u></u>
LIABILITIES AND FUND BALANCE	
Liabilities:	
Cash Overdraft	\$ 766,094
Accounts Payable	54,214
Accrued Payroll and Related Liabilities	<u>4,908</u>
Total Liabilities	<u>825,216</u>
Fund Balance:	
Unrestricted	<u>22,225</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 847,441</u></u>

The accompanying notes are an integral part of this statement.

**FALL RIVER VALLEY COMMUNITY SERVICES DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019**

Total Fund Balances- Governmental Funds	\$ 22,225
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Reconciling Items:

Capital Assets are not recorded in the Governmental Funds	<u>359,522</u>
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Total Net Position - Governmental Activities	<u><u>\$ 381,747</u></u>
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The accompanying notes are an integral part of this statement.

**FALL RIVER VALLEY COMMUNITY SERVICES DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

	General Fund
REVENUES	
Capital Grants	\$ 126,423
Miscellaneous	12,999
Total Revenues	<u>139,422</u>
EXPENDITURES	
Salaries and Benefits	(805)
Legal and Professional	1,004
Other Expense	195
Capital Expenditures	126,423
Total Expenditures	<u>126,817</u>
Excess of Revenue over (under) Expenditures	12,605
Fund Balance - July 1	<u>9,620</u>
Fund Balance - June 30	<u><u>\$ 22,225</u></u>

The accompanying notes are an integral part of this statement.

FALL RIVER VALLEY COMMUNITY SERVICES DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2019

	Business-Type Activities		
	Water Fund	Sewer Fund	Total
ASSETS			
Current Assets:			
Cash on Hand and in Banks	\$ 788,849	\$ 298,203	\$ 1,087,052
Accounts Receivable-Customers	53,508	16,759	70,267
Accounts Receivable-Grantors	-	10,065	10,065
Prepaid Expenses	3,860	-	3,860
Inventory	19,498	-	19,498
Total Current Assets	865,715	325,027	1,190,742
Capital Assets:			
Property, Plant & Equipment, Net	1,995,445	768,768	2,764,213
Total Assets	<u>\$ 2,861,160</u>	<u>\$ 1,093,795</u>	<u>\$ 3,954,955</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Pension Plan Contributions	\$ 44,211	\$ 22,189	\$ 66,400
LIABILITIES			
Current Liabilities			
Accounts Payable	\$ 6,454	\$ 4,861	\$ 11,315
Utility Deposits	3,775	650	4,425
Payroll Related Liabilities	1,147	491	1,638
Due to Other Funds	586,244	195,415	781,659
Accrued Interest Payable	-	375	375
Current Portion of Long Term Debt	26,505	21,050	47,555
Total Current Liabilities	624,125	222,842	846,967
Long Term Liabilities:			
Net Pension Liability	149,408	74,985	224,393
Non-Current Portion of Long Term Debt	443,142	-	443,142
Total Long Term Liabilities	592,550	74,985	667,535
Total Liabilities	<u>\$ 1,216,675</u>	<u>\$ 297,827</u>	<u>\$ 1,514,502</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Pension Plan Earnings	\$ 9,509	\$ 4,773	\$ 14,282
NET POSITION			
Net Investment in Capital Assets	\$ 1,525,798	\$ 747,718	\$ 2,273,516
Restricted for Debt Service	13,126	64,045	77,171
Unrestricted	140,263	1,621	141,884
Total Net Position	<u>\$ 1,679,187</u>	<u>\$ 813,384</u>	<u>\$ 2,492,571</u>

The accompanying notes are an integral part of this statement.

**FALL RIVER VALLEY COMMUNITY SERVICES DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

	Business-Type Activities		
	Water Fund	Sewer Fund	Total
Operating Revenues:			
Utility Revenue	\$ 545,208	\$ 146,579	\$ 691,787
Total Operating Revenue	<u>545,208</u>	<u>146,579</u>	<u>691,787</u>
Operating Expenses:			
Salaries and Benefits	215,595	59,501	275,096
Insurance	16,739	3,023	19,762
Legal, Accounting and Professional Services	15,181	7,394	22,575
Permits and Fees	5,832	4,869	10,701
Depreciation & Amortization	66,978	53,346	120,324
Travel and Training	5,817	1,946	7,763
Repairs and Maintenance	46,385	9,070	55,455
Office	8,754	2,690	11,444
Utilities	32,440	15,603	48,043
Other Expenses	<u>45,345</u>	<u>7,589</u>	<u>52,934</u>
Total Operating Expenses	<u>459,066</u>	<u>165,031</u>	<u>624,097</u>
Operating Income (Loss)	86,142	(18,452)	67,690
Non-Operating Revenues and Expenses:			
Property Taxes	900	45,230	46,130
Capital Grants and Contributions	-	126,486	126,486
Other Local Income (Expense)	17,290	28,585	45,875
Interest Expense	<u>(13,765)</u>	<u>(1,125)</u>	<u>(14,890)</u>
Total Non-Operating Revenues and Expenses	<u>4,425</u>	<u>199,176</u>	<u>203,601</u>
Change in Net Position	90,567	180,724	271,291
Beginning Net Position (Sewer Fund Restated-Note 9)	<u>1,588,621</u>	<u>632,659</u>	<u>2,221,280</u>
Ending Net Position	<u>\$ 1,679,188</u>	<u>\$ 813,383</u>	<u>\$ 2,492,571</u>

The accompanying notes are an integral part of this statement.

FALL RIVER VALLEY COMMUNITY SERVICES DISTRICT
STATEMENT OF CASH FLOWS-PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2019

	Business-Type Activities		
	Water Fund	Sewer Fund	Total
Cash Flows from (used by) Operating Activities:			
Cash Received from Customers	\$ 546,738	\$ 149,765	\$ 696,503
Cash Payments to Employees	(213,763)	(58,685)	(272,448)
Cash Payments to Suppliers	(30,711)	(4,585)	(35,296)
Net Cash Provided (Used) by Operating Activities	302,264	86,495	\$ 388,759
Cash Flows from Non-Capital Financing Activities:			
Property Taxes and Other Income	18,190	73,815	92,005
Net Cash Provided (Used) by Non-Capital Financing Activities	18,190	73,815	92,005
Cash Flows from Capital and Related Financing Activities:			
Purchases of Fixed Assets	(17,454)	(119,436)	(136,890)
Cash Received from Grantors	19,762	116,421	136,183
Principal Payments on Long-term Debt	(21,983)	(29,000)	(50,983)
Interest Payments on Long-term Debt	(13,765)	(750)	(14,515)
Net Cash Provided (Used) by Capital Financing Activities	(33,440)	(32,765)	(66,205)
Net Increase (Decrease) in Cash and Cash Equivalents	287,014	127,545	414,559
Cash and Cash Equivalents:			
Balance - July 1	501,835	170,658	672,493
Balance - June 30	\$ 788,849	\$ 298,203	\$ 1,087,052
Reconciliation:			
Operating Income (Loss)	\$ 86,142	\$ (18,452)	\$ 67,690
Adjustments to Reconcile Operating Income (Loss) to Net			
Cash Provided by Operating Activities:			
Depreciation and Amortization	66,978	53,346	120,324
(Increase)/Decrease in Accounts Receivable	(2,245)	3,431	1,186
(Increase)/Decrease in Prepaid Expenses	(2,120)	(1,801)	(3,921)
(Increase)/Decrease in Inventory	-	-	-
Increase/(Decrease) in Accounts Payable and Accrued Liabilities	152,270	41,860	194,130
Increase/(Decrease) in Deferred Outflows/Inflows (net)	1,239	8,111	9,350
Net Cash Provided (Used) by Operating Activities	\$ 302,264	\$ 86,495	\$ 388,759

The accompanying notes are an integral part of this statement.

FALL RIVER VALLEY COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Fall River Valley Community Services District (District) provides water and sewer services to residential and commercial customers within the boundaries of the District. The District began operations March 5, 1962.

The District also owns the Fall River Valley Community Park in Fall River Mills. It is operated by the Lions Club, who maintains it. Any shortfall in the park maintenance costs is covered by donations by the Lions Club.

The District has been approved for a grant to create a new park, located at the old feed store site. This grant was approved during the 2012-13 year in the amount of \$304,426. Preliminary design and engineering was started during that fiscal year and has continued during fiscal year 2018-19.

The District accounts for its financial transactions in accordance with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

1. Reporting Entity

The District's combined financial statements include the accounts of all 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 GASB Statement No. 14 "The Financial Reporting Entity" and 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
- The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government
- The primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization
- The economic resources received or held by an individual organization that the specific primary government is entitled to, or has the ability to otherwise access, are significant to that primary government

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 Statement.

FALL RIVER VALLEY COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Business-type activities are financed in whole or in part by fees charged to external parties.

For the fiscal year 2018-19 management has elected to present individual fund financial statements. The general fund presents the governmental activities of the District including park activities. The water and sewer utilities are presented as separate business-type activities. Management believes that this presentation provides a more accurate and complete picture of the District's operations.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the District. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major enterprise funds, each displayed in a separate column.

Proprietary fund operating revenues, such as charges for services, 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. Nonoperating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The District reports the following major General Funds:

The General Fund accounts for general revenue, expenses, and net position.

The Water Fund accounts for water revenue, expenses, and net position.

The Sewer Fund accounts for sewer revenue, expenses, and net position.

FALL RIVER VALLEY COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

b. Measurement Focus, Basis of Accounting

Government-Wide Financial Statements: These financial statements are reported using the economic resources measurement focus. They are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include county assessments, grants, entitlements, and donations. On an accrual basis, revenue from county assessments is recognized in the fiscal year for which the taxes are received. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District does not consider revenues collected after its year-end to be available in the current period. Revenues from local sources consist primarily of county assessments and charges for services. County assessments revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgements, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of capital leases are reported as other financing sources.

Proprietary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. They are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

When the District incurs an expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

Under GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting," all proprietary funds will continue to follow Financial Accounting Standards Board ("FASB") standards

FALL RIVER VALLEY COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

issued on or before November 30, 1989. However, from that date forward, proprietary funds will have the option of either 1) choosing not to apply future FASB standards (including amendments of earlier pronouncements), or 2) continuing to follow new FASB pronouncements unless they conflict with GASB guidance. The District has chosen not to apply future FASB standards.

3. Assets, Liabilities, and Equity

a. Cash and Cash Equivalents

For the purposes of the statement of cash flows, highly liquid investments, including restricted funds, are considered to be cash equivalents if they have a maturity of three months or less when purchased. The District considers cash and reserved cash to be cash equivalents.

Cash balances held in banks are insured to \$250,000 by the Federal Depository Insurance Corporation.

The District is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et seq. The funds maintained by the District are either secured by federal depository insurance or are collateralized.

b. Inventories

Inventories have been valued at the lower of cost (first-in, first-out) or market. The consumption method of accounting is used where the cost is recorded as an expense when the item is used.

c. Capital Assets

Property, Plant and Equipment owned by the Enterprise Funds are stated at cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. A capitalization threshold of \$3,000 is used by the District.

FALL RIVER VALLEY COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
General Plant/Structures	50
Reservoirs, Dams, etc.	50
Vehicles	5
Heavy Equipment	7-10
Light Equipment	5-7
Office Equipment	5-10
Office Furniture	10-15
Computer Equipment	5-7

Gain or loss is recognized when assets are retired from service or are otherwise disposed.

d. Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on December 10 and April 10. Unsecured property taxes are payable in one installment on or before August 31. The County of Shasta bills and collects the taxes for the District. The District recognizes tax revenues when apportioned by the County.

e. Receivable and Payable Balances

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of year end.

f. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Currently, the District has only one item that qualifies for reporting in this category, deferred amounts from District pension contributions.

FALL RIVER VALLEY COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has only one type of item that qualifies for reporting in this category, unavailable amounts from District pension contributions.

g. Compensated Absences

Vested unpaid employee vacation leave benefits are recognized as liabilities of the District. The liability is recognized in the Water and Sewer Fund at year end. Accumulated sick leave benefits are not recognized as liabilities of the District as sick leave benefits do not vest. Sick leave benefits are recorded as expenses in the period that sick leave is used.

h. Components of Net Position

For Government-wide Financial Statements, equity is classified in three components as follows:

Net Investment in Capital Assets consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of debt borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position consists of net assets with restrictions placed on their use either by external groups such as contributors, grantors or regulations of other governments, or law through constitutional provisions or enabling legislation.

Unrestricted Net Position consists of all other net assets that do not meet the definition of "restricted" or "net investment in capital assets."

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

The District can designate balances for specific future uses; however, these designations are not disclosed on the Statement of Net Position.

FALL RIVER VALLEY COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

j. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates. Actual results could differ from those estimates.

k. Subsequent Event Evaluation

Management has evaluated subsequent events through November 18, 2019, the date the financial statements were available to be issued.

NOTE 2 – COMPLIANCE AND ACCOUNTABILITY

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

Deficit Fund Net Assets of Individual Funds

Following are funds having deficit fund net assets at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None	n/a	n/a

FALL RIVER VALLEY COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 3 – PROPERTY, PLANT AND EQUIPMENT

A summary of changes in fixed assets follows:

	Balance <u>6/30/2018</u>	<u>Additions</u>	<u>Dispositions</u>	Balance <u>6/30/2019</u>
Land	\$ 77,954	\$ 140,777	\$ -	\$ 218,731
Building	21,512	-	-	21,512
Water System	2,498,390	1,037,145	-	3,535,535
Sewer System	1,614,709	3,539	-	1,618,248
Equipment	235,097	30,754	-	265,851
Intangible Assets	74,946	-	-	74,946
CIP (Restated-See Note 9)	<u>1,313,628</u>	<u>185,755</u>	<u>1,025,273</u>	<u>474,110</u>
	5,836,236	1,397,970	1,025,273	6,208,933
Accumulated Amortization	(27,648)	(7,067)	-	(34,715)
Accumulated Depreciation	<u>(2,937,226)</u>	<u>(113,257)</u>	-	<u>(3,050,483)</u>
	(2,964,874)	(120,324)	-	(3,085,198)
Property, Plant and Equipment, Net	<u>\$ 2,871,362</u>	<u>\$ 1,277,646</u>	<u>\$ 1,025,273</u>	<u>\$ 3,123,735</u>

FALL RIVER VALLEY COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 4 – NOTES AND BONDS PAYABLE

Long Term Debt is summarized as follows:

	Balance <u>6/30/2018</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>6/30/2019</u>
5% 1979 Sewer Revenue Bonds. \$275,000 Original Issue. Semi-annual payments of principal and interest through 2020.	\$ 44,000	\$ -	\$ 44,000	\$ -
2.75% 2012 USDA Loan. \$500,000 Original Issue. Repayment Schedule will be established upon completion of project.	459,627	-	8,131	451,496
4.875% 2016 Plumas Bank Loan. \$60,505. Sixty monthly payments of \$1,138.34 beginning 7/10/16	38,053		13,852	24,201
Total Debt Payable	<u>\$ 541,680</u>	<u>\$ -</u>	<u>\$ 65,983</u>	475,697
Less Current Portion				(32,555)
Long Term Portion of Debt Payable				<u>\$ 443,142</u>

Debt service requirements on long-term debt at June 30, 2019 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	36,340	13,089	49,429
2021	15,318	12,282	27,600
2022	8,820	11,950	20,770
2023	9,062	11,708	20,770
2024	9,311	11,459	20,770
2025-2052	411,846	184,662	596,508
Totals	<u>\$ 490,697</u>	<u>\$ 245,150</u>	<u>\$ 735,847</u>

FALL RIVER VALLEY COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 5 – EXCESS OF EXPENSES OVER APPROPRIATIONS

As of June 30, 2019 expenses exceeded appropriations as follows:

<u>Appropriations Category</u>	<u>Water Fund</u>	<u>Sewer Fund</u>
Insurance	\$ 8,114	\$ -
Legal, Accounting and Professional Services	\$ 1,981	\$ 2,574
Repairs and Maintenance	\$ 27,365	\$ -
Depreciation	\$ 66,978	\$ 53,346
Permits and Fees	\$ 1,737	\$ 139
Office	\$ 3,624	\$ 20
Other Expenses	\$ 207	\$ -

The District did not budget for depreciation. Additionally, the District incurred unanticipated expenses for insurance, repairs and maintenance, permits and fees, office expenses, and other expenses.

NOTE 6 – COMMITMENTS AND CONTINGENCIES

The District is not currently involved in any litigation. In the opinion of management, the disposition of any potential litigation will not have a material effect on the financial statements.

NOTE 7 – RISK MANAGEMENT AND LITIGATION

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and customers; and natural disasters. The District has managed these risks by obtaining coverage from commercial insurance companies as well as providing employee education and prevention programs. All risk management activities are accounted for in the Water Fund and Sewer Fund. Expenses and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported are considered.

The District's attorney estimates that the amount of actual or potential claims against the District as of June 30, 2019 will not materially affect the financial condition of the District. Therefore, the funds contain no provision for estimated claims. Information relating to an analysis of claims activities for the year was not available.

FALL RIVER VALLEY COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 8 – PENSION PLAN

Plan Description

The District, as the employer, participates in the cost-sharing, multiple-employer defined benefit pension plan administered by the California Public employees' Retirement System (CalPERS). The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members, and beneficiaries. A full description of the pension plan benefit provisions and assumptions for funding purposes can be obtained in Appendix B of the June 30, 2013 CalPERS actuarial evaluation report available at <https://www.calpers.ca.gov/page/forms-publications>.

Contributions

The contribution requirements of the Plan are established by Section 20814(c) of the California Public Employees' Retirement Law, which requires that employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. For the measurement period ended June 30, 2017 the active employee contribution rate was 6.25% of annual pay, and the Districts contribution rate was 6.237%. Contributions to the pension plan from the District was \$34,838, for the year ended June 30, 2019.

Pension Liabilities, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions

At June 30, 2019, the District reported a net pension liability of \$224,393 for its proportionate share of the total net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. The District's proportion of the net pension liability was based on the District's contributions received by the pension plan relative to the total contributions received by the pension plan for all participating employers as of June 30, 2018.

Based upon this information, the District's proportion was .0000595%.

At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

FALL RIVER VALLEY COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

	Deferred Outflows of Resources	Deferred Inflow of Resources
Change in Assumptions	\$ 19,312	\$ -
Difference between Expected and Actual Experience	5,680	
Difference Between Projected and Actual Investment Earnings	1,109	
Difference Between Employer's Contributions and Proportionate Share of Contributions	1,148	7,796
Change in Employer's Proportion	4,313	6,487
Contributions Subsequent to the Measurement Date	34,838	
Total	<u>\$ 66,400</u>	<u>\$ 14,283</u>

\$34,838 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Any other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:

2018	\$ 19,665
2019	9,447
2020	(9,813)
2021	(2,018)
Total	<u>\$ 17,281</u>

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2014, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Discount Rate:	7.65%
Inflation:	2.75%
Salary Increases:	Varies by Entry Age and Service
Investment Rate of Return:	7.50% net of Pension Plan Investment and Administrative Expenses; includes Inflation
Mortality Rate Table:	Derived using CalPERS Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

FALL RIVER VALLEY COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The table below reflects long-term expected real rates of return by asset class. The rate of return was calculated using the capital marked assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1-10 ¹	Real Return years 11 + ²
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00	0.99	2.43
Inflation Sensitive	6.00	0.45	3.36
Private Equity	12.00	6.83	6.95
Real Estate	11.00	4.50	5.13
Infrastructure and Forestland	3.00	4.50	5.09
Liquidity	2.00	(0.55)	(1.05)

¹ An expected inflation of 2.5% used for this period

² An expected inflation of 3.0% used for this period

Discount Rate

The discount rate used to measure the total pension liability was 7.65%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65% is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at the CalPERS' website under the GASB 68 section.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability/(asset) of the Plan as of the measurement date using the discount rate of 7.65%, as well as what the net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage-point lower (6.50%) or 1 percentage point higher (8.50%) than the current rate:

FALL RIVER VALLEY COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

	Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
Plan's Net Pension			
Liability/(Asset)	\$ 356,459	\$ 224,393	\$ 115,374

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report of CalPERS which can be located at <https://www.calpers.ca.gov/page/forms-publications>.

NOTE 9 – RESTATEMENT OF PRIOR YEARS FUND BALANCE- SEWER FUND

Prior year financial statements mistakenly omitted capitalizing construction in progress on the Wastewater System Expansion Project during the year ended June 30, 2018. This results in a restatement of the beginning fund balance for the Sewer Fund in the amount of \$206,086 and a related adjustment to Property, Plant and Equipment:

Sewer Fund Balance, as previously reported	\$ 426,573
Adjustment per above	<u>206,086</u>
Restated Fund Balance	<u>\$ 632,659</u>

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF FALL RIVER VALLEY COMMUNITY SERVICES
DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
CALIFORNIA PUBLIC EMPLOYEES RETIREMENT SYSTEM**

	<u>June 30, 2015</u>	<u>June 30, 2016</u>	<u>June 30, 2017</u>	<u>June 30, 2018</u>	<u>June 30, 2019</u>
District's Proportion of the Net pension Liability/(Asset)	0.003240%	0.006495%	0.000057%	0.000059%	0.000060%
Districts Proportionate Share of the Net Pension Liability/(Asset)	\$ 201,885	\$ 178,189	\$ 216,284	\$ 241,477	\$ 224,393
District's Covered-Employee Payroll	\$ 142,155	\$ 143,614	\$ 146,486	\$ 151,520	\$ 142,922
District's Proportionate Share of the net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	142.02%	124.07%	147.65%	159.37%	157.00%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's total Pension Liability	73.27%	76.82%	73.46%	73.18%	76.25%
Plan's Proportionate Share of Aggregate Employer Contributions	\$ 14,963	\$ 20,432	\$ 30,464	\$ 30,464	\$ 34,838

Notes to Schedule:

Only five years are presented because 10-year data is not yet available.

**FALL RIVER VALLEY COMMUNITY SERVICE DISTRICTS
SCHEDULE OF DISTRICT CONTRIBUTIONS
CALIFORNIA PUBLIC EMPLOYEES RETIREMENT SYSTEM**

	<u>Fiscal Year 2014-15</u>	<u>Fiscal Year 2015-16</u>	<u>Fiscal Year 2016-17</u>	<u>Fiscal Year 2017-18</u>	<u>Fiscal Year 2018-19</u>
Actuarially Determined Contribution	\$ 21,793	\$ 19,034	\$ 28,551	\$ 22,134	\$ 25,858
Contributions in Relation to the					
Actuarially Determined Contribution	<u>(31,478)</u>	<u>(25,141)</u>	<u>(28,361)</u>	<u>(22,134)</u>	<u>(25,858)</u>
Contribution Deficiency (Excess)	<u>\$ (9,685)</u>	<u>\$ (6,107)</u>	<u>\$ 190</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Employee Payroll	\$ 142,155	\$ 152,074	\$ 146,486	\$ 151,520	\$ 142,922
Contributions as a Percentage of					
Covered-Employee Payroll	15.33%	12.52%	19.49%	14.61%	18.09%

Notes to Schedule:

Only five years are presented because 10-year data is not yet available.

OTHER SUPPLEMENTARY INFORMATION

FALL RIVER VALLEY COMMUNITY SERVICES DISTRICT
STATEMENT OF OPERATIONS- PROPRIETARY FUNDS - BUDGET AND ACTUAL
WATER UTILITY FUND
FOR THE YEAR ENDED JUNE 30, 2019

	Budget Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Operating Revenues:				
Utility Revenue	\$ 497,758	\$ 497,758	\$ 545,208	\$ 47,450
Total Operating Revenue	497,758	497,758	545,208	47,450
Operating Expenses:				
Salaries and Benefits	223,025	223,025	215,595	7,430
Insurance	8,625	8,625	16,739	(8,114)
Legal, Accounting and Professional Services	13,200	13,200	15,181	(1,981)
Permits and Fees	4,095	4,095	5,832	(1,737)
Depreciation	-	-	66,978	(66,978)
Travel and Training	11,040	11,040	5,817	5,223
Repairs and Maintenance	19,020	19,020	46,385	(27,365)
Office	5,130	5,130	8,754	(3,624)
Utilities	38,394	38,394	32,440	5,954
Other Expenses	45,138	45,138	45,345	(207)
Total Operating Expenses	367,667	367,667	459,066	(91,399)
Operating Income (Loss)	130,091	130,091	86,142	(43,949)
Non-Operating Revenue (Expense):				
Property Taxes	26,250	26,250	900	(25,350)
Other Local Income	-	-	17,290	17,290
Interest Expense	(13,568)	(13,568)	(13,765)	(197)
Total Non-Operating Revenues (Expenses)	12,682	12,682	4,425	(8,257)
Net Income (Loss)	\$ 142,773	\$ 142,773	\$ 90,567	\$ (52,206)

FALL RIVER VALLEY COMMUNITY SERVICES DISTRICT
STATEMENT OF OPERATIONS - PROPRIETARY FUNDS - BUDGET AND ACTUAL
SEWER UTILITY FUND
FOR THE YEAR ENDED JUNE 30, 2019

	Budget Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Operating Revenues:				
Utility Revenue	\$ 151,950	\$ 151,950	\$ 146,579	\$ (5,371)
Total Operating Revenue	151,950	151,950	146,579	(5,371)
Operating Expenses:				
Salaries and Benefits	74,342	74,342	59,501	14,841
Insurance	3,710	3,710	3,023	687
Legal, Accounting and Professional Services	4,820	4,820	7,394	(2,574)
Permits and Fees	4,730	4,730	4,869	(139)
Depreciation	-	-	53,346	(53,346)
Travel and Training	5,550	5,550	1,946	3,604
Repairs and Maintenance	9,780	9,780	9,070	710
Office	2,670	2,670	2,690	(20)
Utilities	13,946	13,946	15,603	
Other Expenses	11,225	11,225	7,589	3,636
Total Operating Expenses	130,773	130,773	165,031	(34,258)
Operating Income (Loss)	21,177	21,177	(18,452)	(39,629)
Non-Operating Revenue (Expense):				
Property Taxes	8,750	8,750	45,230	36,480
Capital Grants and Contributions	-	-	126,486	126,486
Other Local Income	-	-	28,585	28,585
Interest Expense	(5,400)	(5,400)	(1,125)	4,275
Total Non-Operating Revenues (Expenses)	3,350	3,350	199,176	195,826
Net Income (Loss)	\$ 24,527	\$ 24,527	\$ 180,724	\$ 156,197

**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***

Board of Directors
Fall River Valley Community Services District
Fall River Mills, CA 96028

Members of the Board of Directors:

We have audited, 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 Controller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Fall River Valley Community Services District as of and for the year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise the district's basic financial statements and have issued our own report thereon dated November 18, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of the 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 were not 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District'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 listed as items *2019-1 and 2019-2* to be material weaknesses.

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A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether District's financial statements are free of material misstatement, 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 that are required to be reported under *Government Auditing Standards*.


District's Response to Findings

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

Purpose of the Report

This 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 District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'SingletonAuman, PC', with a stylized flourish at the end.

SingletonAuman, PC
Susanville, CA
November 18, 2019

**FALL RIVER VALLEY COMMUNITY SERVICES DISTRICT
COMBINED SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2019**

EXECUTIVE SUMMARY

The District provides water and sewer services to residential and commercial customers within the boundaries of the District.

The quality of the District's internal controls is dependent upon oversight by the Board Members. Also, due to the limited number of employees of the District, there is an inability to segregate the custody of and accountability for District assets in the manner generally required for model systems of internal accounting controls. A summary of the auditors' results follows:

1. **Type of Auditors' Report on Financial Statements:** Unmodified
2. **Internal Control Findings:** 2 Material Weaknesses.
3. **Material Noncompliance Noted:** None

**FALL RIVER VALLEY COMMUNITY SERVICES DISTRICT
COMBINED SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2019**

Finding 2019-1 Lack of Segregation of Duties

Criteria Upon Which Audit Finding is Based (Legal Citation)

Internal Control Standards.

Finding (Condition)

An inadequate segregation of duties exists.

Amount of Questioned Cost, How Computed and Prevalence

None.

Effect

The District has exposure to risk of financial statement misstatement and the potential risk of errors or fraud.

Cause

Due to the District only having a few personnel assigned to duties that involve access to the general ledger and other accounting records and who also have custody of and responsibility for handling cash and other assets, an inadequate segregation of duties exists. This is particularly significant in the area of cash receipts and cash disbursements, payroll, grant accounting and reporting and financial statement preparation.

The use of purchase orders and/or prior authorization for expenditures has not been implemented.

Cash receipts for customer services are being handled by one person with no overview or check procedures.

Recommendation

We recommend that the District employees and Board examine all activities of the District carefully to help decrease the risks of any individual being in a position to both perpetrate and conceal errors or fraud. We recommend the following:

- 1) Best practices for the cash receipt function would include separating duties for receiving cash, deposit preparation, and posting to the general ledger.
- 2) Best practices for the cash disbursement function would include separating responsibility for preparing voucher packages, preparing check requests, approving checks for payments, and mailing checks.
- 3) Bank reconciliations should be prepared by someone who is not involved in the cash receipts or disbursement functions, if at all possible. Also, bank

reconciliations should be reviewed and approved by supervisory level personnel, such as the Board Treasurer who are not involved in daily cash activities.

- 4) Some of the non-technical duties, such as taking deposits to the bank, maintaining check stock, etc, could be performed by administrative staff not involved in cash or accounting functions, possibly even staff from other departments.
- 5) Implement a purchase order system to ensure control over and proper authorization of expenditures.
- 6) Employees involved in the purchasing function (initiating purchase requests, creating purchase orders, approving purchase orders) should not be involved in disbursement functions (approving invoices for payment, recording invoices, receiving goods, maintain inventories).

District's Response

The District concurs with this finding, and will continue to evaluate how it might further segregate duties.

**FALL RIVER VALLEY COMMUNITY SERVICES DISTRICT
COMBINED SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2019**

Finding 2019-2 Financial Reporting

Criteria Upon Which Audit Finding is Based (Legal Citation)

In accordance with Statement on Auditing Standards No. 122 (SAS 122), the Organization is responsible for preparing complete and accurate financial statements and footnote disclosures in accordance with Generally Accepted Accounting Principles (GAAP).

Finding (Condition)

Similar to many other small special districts, the District does not have policies and procedures in place to ensure that complete and accurate financial statements, MD&A and footnote disclosures are prepared in accordance with GAAP prior to the annual audit. Management relies upon the auditor to recommend footnote disclosures for the financial statements and to prepare adjusting journal entries for approval in order to report financial information in accordance with GAAP.

Amount of Questioned Cost, How Computed and Prevalence

None.

Effect

There is a risk that a material financial statement misstatement may exist and not be prevented or detected by the District's system of internal control.

Cause

This condition has always existed at the District, and is being reported in accordance with SAS 122.

Recommendation

We recommend that the District should consider the cost benefit of hiring an accountant familiar with GAAP or contracting with an independent CPA firm to compile financial statements in conformity with GAAP.

District's Response

The District has determined that the costs of correcting this control weakness outweigh the benefits to be received. The District will continue to rely on the independent auditor to prepare its annual financial statements. Monthly financial reports will be created by the bookkeeper, under the supervision of the General Manager.

**FALL RIVER VALLEY COMMUNITY SERVICES DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
JUNE 30, 2019**

Finding 2018-1

An inadequate segregation of duties exists.

Status

Not implemented. See current year Material Weakness 2019-1.

Finding 2018-2

The District does not have policies and procedures in place to ensure that financial statements are complete and accurate.

Status

Not implemented. See current year Material Weakness 2019-2.

**FALL RIVER VALLEY COMMUNITY SERVICES DISTRICT
CORRECTIVE ACTION PLAN
JUNE 30, 2019**

Person Monitoring Corrective Action Plan
General Manager, Stephen Rooklidge

Finding 2019-1 Lack of Segregation of Duties

Finding (Condition)

An inadequate segregation of duties exists.

Corrective Action Planned

Due to the number of employees of the District, it is not possible for the district to cost effectively mitigate this finding. The District cannot, with it's current budget hire an adequate number of employees to insure that custody of assets and accountability for assets is separated.

Expected Completion Date

Ongoing.

Finding 2019-2 Financial Reporting

Finding (Condition)

Similar to many other small special districts, the District does not have policies and procedures in place to ensure that complete and accurate financial statements, MD&A and footnote disclosures are prepared in accordance with GAAP prior to the annual audit. Management relies upon the auditor to recommend footnote disclosures for the financial statements and to prepare adjusting journal entries for approval in order to report financial information in accordance with GAAP.

Corrective Action Planned

The District has determined that the costs of correcting this control weakness outweigh the benefits to be received. The District will continue to rely on the independent auditor to prepare its annual financial statements. In addition, to ensure that accurate and timely accounting reports are prepared, the District has hired an accountant. Also, The District Manager will monitor the preparation of the reports.

Expected Completion Date

Ongoing.