

FALL RIVER VALLEY COMMUNITY SERVICES DISTRICT

Financial Statements, Management Discussion and Analysis,
and Independent Auditor's Report

AS OF AND FOR THE YEAR ENDED JUNE 30, 2020

FALL RIVER VALLEY COMMUNITY SERVICES DISTRICT

Audited Financial Statements

JUNE 30, 2020

TABLE OF CONTENTS

	<u>Page No</u>
<u>Financial Section</u>	
Independent Auditor's Report on Financial Statements	1
Management's Discussion and Analysis (Required Supplementary Information)	4
<u>Basic Financial Statements</u>	
Government-wide Statement of Net Position	9
Government-wide Statement of Activities	10
<u>Fund Financial Statements</u>	
Balance Sheet- Governmental Funds	11
Reconciliation of the Governmental Funds Balance Sheet to the Statement Of Net Position	12
Statement of Revenue, Expenses and Changes in Fund Balance – Governmental Funds	13
Statement of Net Position- Proprietary Funds	14
Statement of Revenue, Expenses and Changes in Fund Net Position – Proprietary Funds	15
Statement of Cash Flows - Proprietary Funds	16
Notes to Financial Statements	17
<u>Required Supplementary Information</u>	
District's Proportionate Share of the Net Pension Liability	31
Schedule of District Contributions	32
<u>Other Supplementary Information</u>	
Statement of Operations – Budget and Actual Water Utility Fund	33
Statement of Operations – Budget and Actual Sewer Utility Fund	34
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	35
Combined Schedule of Findings and Questioned Costs	37
Summary Schedule of Prior Year Audit Findings	41
Corrective Action Plan	42

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, 2020, 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.

Susanville:

1740 Main Street, Suite A, Susanville, CA 96130
530.257.1040 Fax: 530.257.8876

sa@sa-cpas.com
www.sa-cpas.com

Chester:

PO Box 795, Chester, CA 96020
530.258.2272 Fax: 530.258.2282

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, 2020, 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 30, 2020, 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', with a stylized flourish at the end.

SingletonAuman PC
Susanville, CA
November 30, 2020

FINANCIAL SECTION

FALL RIVER VALLEY COMMUNITY SERVICES DISTRICT
Management's Discussion and Analysis (MD&A)
June 30, 2020

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, 2020. 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 \$3,295,997 at June 30, 2020.
- Overall revenues were \$1,126,449 and expenses were \$704,973 resulting in an increase in net assets of \$421,476.

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, 2020. 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, 2020. 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, 2020. The statement of cash flows shows the changes in cash during the fiscal year ended June 30, 2020 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 \$3,295,997 at June 30, 2020. See Table 1.

Table 1: Net Position

			Total Percentage Change 2020-2019
	2020	2019	
Assets:			
Cash and Investments	\$ 292,505	\$ 320,958	-8.87%
Accounts Receivable-Customers	86,992	70,267	23.80%
Accounts Receivable- Grantors	128,651	75,847	69.62%
Due from Other Funds	1,093,692	781,659	39.92%
Inventory	60,000	19,498	207.72%
Prepaid Expenses	-	3,860	-100.00%
Capital Assets, Net of Accumulated Depreciation	3,519,174	2,982,958	17.98%
TOTAL ASSETS	\$ 5,181,014	\$ 4,255,047	21.76%
Deferred Outflows of Resources			
Deferred Contributions to District Pension Plan	\$ 76,981	\$ 66,400	15.94%
Liabilities:			
Accounts Payable and Accrued Expenses	\$ 170,333	\$ 87,451	94.78%
Utility Deposits	5,375	4,425	21.47%
Due to Other Funds	1,093,692	781,659	39.92%
Current Portion of Long-Term Debt	8,584	32,555	-73.63%
Net Pension Liability	233,033	224,393	N/A
Non-Current Portion of Long-Term Debt	434,788	443,142	-1.89%
TOTAL LIABILITIES	\$ 1,945,805	\$ 1,573,625	23.65%
Deferred Inflows of Resources			
Deferred Pension Plan Income	\$ 11,341	\$ 14,282	-20.59%
Net Position			
Net Investment in Capital Assets	\$ 3,075,802	\$ 2,492,261	23.41%
Restricted for Debt Service	77,171	77,171	0.00%
Unrestricted	147,876	164,108	-9.89%
TOTAL NET POSITION	\$ 3,300,849	\$ 2,733,540	20.75%

Changes in Net Position

Operating revenues from user service charges normally make-up the majority of total revenues, which was 56.5% of total revenues for the 19/20 fiscal year. Funds received specifically for capital improvement projects were \$374,827.

Table 2:
Changes in Net Position

	<u>Government-Wide Activities</u>		<u>Total Percentage</u>
	<u>2020</u>	<u>2019</u>	<u>Change</u>
			<u>2018-2019</u>
Revenues			
<u>Program Revenues:</u>			
Charges for Services	\$ 636,460	\$ 691,787	-8.00%
Capital Grants and Contributions	374,827	252,909	48.21%
<u>General Revenues:</u>			
Property Taxes	48,648	46,130	5.46%
Miscellaneous Income	66,514	58,874	12.98%
TOTAL REVENUES	<u>1,126,449</u>	<u>1,049,700</u>	7.31%
<u>Program Expenses:</u>			
Water and Sewer	690,274	624,097	10.60%
General	9,847	394	2399.24%
TOTAL EXPENSES	<u>700,121</u>	<u>624,491</u>	12.11%
Increase / (Decrease) in Net Position	<u>\$ 426,328</u>	<u>\$ 425,209</u>	

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 \$48,648.

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

	<u>Total Cost of Services</u>		<u>Net Revenue (Cost) from Services</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Water and Sewer	\$ 690,274	\$ 624,097	\$ 100,116	\$ 67,296
TOTAL	<u>\$ 690,274</u>	<u>\$ 624,097</u>	<u>\$ 100,116</u>	<u>\$ 67,296</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, 2020, the District had invested \$3,519,174 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
	2020	2019	2019-2020
Land	\$ 218,731	\$ 218,731	0.00%
Parks	319,865	-	
Building	21,512	21,512	0.00%
Water System	3,582,697	3,535,535	1.33%
Sewer System	1,645,107	1,618,248	1.66%
Construction in Process	587,750	473,553	24.11%
Equipment	265,452	265,851	-0.15%
Amortized Asset	74,946	74,946	100.00%
Totals at Historical Cost	6,716,060	6,208,376	8.18%
Total Accumulated Depreciation/Amortization	(3,196,886)	(3,085,198)	3.62%
NET CAPITAL ASSETS	<u><u>\$ 3,519,174</u></u>	<u><u>\$ 3,123,178</u></u>	12.68%

For the 2020/21 fiscal year the District anticipates spending of \$ 30,000 on a well pump upgrade (water), \$25,000 on lift station pumps (sewer) and \$10,000 on a truck (water/sewer).

Table 5
Long-Term Debt

	Business-Type Activities		Change
	2020	2019	2019-2020
Net Pension Liability	\$ 233,033	\$ 224,393	3.85%
2012 USDA Loan	443,372	451,496	-1.80%
Plumas Bank Loan	-	24,201	-100.00%
Total Debt Payable	<u>\$ 676,405</u>	<u>\$ 700,090</u>	-3.38%

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
Cecil Ray
General Manager
PO Box 427
Fall River Mills, CA 96028
(530) 336-5263

FALL RIVER VALLEY COMMUNITY SERVICES DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2020

	Governmental Activities General Fund	Business-Type Activities Water and Sewer Activities	Total
ASSETS			
Current Assets:			
Cash on Hand and in Banks	\$ (1,120,749)	\$ 1,413,254	\$ 292,505
Accounts Receivable-Customers		86,992	86,992
Accounts Receivable-Grantors	121,771	6,880	128,651
Due from Other Funds	1,093,692		1,093,692
Inventory		60,000	60,000
Total Current Assets	94,714	1,567,126	1,661,840
Non-Current Assets			
Property, Plant & Equipment, Net	651,823	2,867,351	3,519,174
Total Non-Current Assets	651,823	2,867,351	3,519,174
Total Assets	\$ 746,537	\$ 4,434,477	\$ 5,181,014
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Recognition Contributions to Pension Plan	\$ -	\$ 76,981	\$ 76,981
LIABILITIES			
Current Liabilities:			
Accounts Payable	\$ 141,968	\$ 21,113	\$ 163,081
Utility Deposits		5,375	5,375
Accrued Payroll and Related Liabilities	6,054	823	6,877
Due to Other Funds	4,921	1,088,771	1,093,692
Accrued Interest Payable		375	375
Current Portion of Long Term Debt		8,584	8,584
Total Current Liabilities	152,943	1,125,041	1,277,984
Long Term Liabilities:			-
Net Pension Liability	-	233,033	233,033
Non-Current Portion of Long Term Debt		434,788	434,788
Total Long Term Liabilities	-	667,821	667,821
Total Liabilities	\$ 152,943	\$ 1,792,862	\$ 1,945,805
DEFERRED INFLOWS OF RESOURCES			
Deferred Recognition of Pension Plan Earnings	\$ -	\$ 11,341	\$ 11,341
NET POSITION			
Net Investment in Capital Assets	\$ 651,823	\$ 2,423,979	\$ 3,075,802
Restricted for Debt Service		77,171	77,171
Unrestricted	(58,229)	206,105	147,876
Total Net Position	\$ 593,594	\$ 2,707,255	\$ 3,300,849

The accompanying notes are an integral part of this statement.

FALL RIVER VALLEY COMMUNITY SERVICES DISTRICT
STATEMENT OF ACTIVITIES
JUNE 30, 2020

		Program Revenue		Net (Expense)	Net (Expense)	Net (Expense)
		Charges	Capital	Revenue and	Revenue and	Revenue and
		For	Grants and	Changes in Net	Changes in Net	Changes in Net
		Services	Contributions	Position	Position	Position
	Expenses			Governmental	Business-Type	Total
				Activities	Activities	Activities
Governmental Activities						
General Fund	\$ 9,847	\$ -	\$ 220,897	\$ 211,050	\$ -	\$ 211,050
Business - Type Activities						
Water Utility	533,289	494,156	12,619	-	(26,514)	(26,514)
Sewer Utility	144,377	142,304	141,311	-	139,238	139,238
Total Business - Type Activities	677,666	636,460	153,930	-	112,724	112,724
Total Primary Government Activities	\$ 687,513	\$ 636,460	\$ 374,827	211,050	112,724	323,774
General Revenues:						
					48,648	48,648
					65,716	66,514
				798		
				798	114,364	115,162
General Expenses:						
					(12,608)	(12,608)
					(12,608)	(12,608)
				211,848	214,480	426,328
Net Position Beginning				381,746	2,492,775	2,874,521
Net Position Ending				\$ 593,594	\$ 2,707,255	\$ 3,300,849

The accompanying notes are an integral part of this statement.

**FALL RIVER VALLEY COMMUNITY SERVICES DISTRICT
GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2020**

	<u>General Fund</u>
ASSETS	
Accounts receivable-Grantors	\$ 121,771
Due from other funds	<u>1,093,692</u>
TOTAL ASSETS	<u><u>\$ 1,215,463</u></u>
LIABILITIES AND FUND BALANCE	
Liabilities:	
Cash Overdraft	\$ 1,120,749
Accounts Payable	141,968
Accrued Payroll and Related Liabilities	6,054
Due to other funds	<u>4,921</u>
Total Liabilities	<u>1,273,692</u>
Fund Balance:	
Unrestricted	<u>(58,229)</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 1,215,463</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, 2020**

Total Fund Balances- Governmental Funds	\$ (58,229)
Reconciling Items:	
Capital Assets are not recorded in the Governmental Funds	<u>651,823</u>
Total Net Position - Governmental Activities	<u><u>\$ 593,594</u></u>

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, 2020

	General Fund
REVENUES	
Capital Grants	\$ 220,897
Miscellaneous	798
Total Revenues	<u>221,695</u>
EXPENDITURES	
Salaries and Benefits	3,503
Legal and Professional	760
Other Expense	5,584
Capital Outlay	292,301
Total Expenditures	<u>302,148</u>
Excess of Revenue over (under) Expenditures	(80,453)
Fund Balance - July 1	<u>22,225</u>
Fund Balance - June 30	<u><u>\$ (58,228)</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, 2020

	Business-Type Activities		
	Water Fund	Sewer Fund	Total
ASSETS			
Current Assets:			
Cash on Hand and in Banks	\$ 1,089,597	\$ 323,657	\$ 1,413,254
Accounts Receivable-Customers	67,563	19,429	86,992
Accounts Receivable-Grantors	-	6,880	6,880
Inventory	33,000	27,000	60,000
Total Current Assets	1,190,160	376,966	1,567,126
Capital Assets:			
Property, Plant & Equipment, Net	1,978,267	889,084	2,867,351
Total Assets	<u>\$ 3,168,427</u>	<u>\$ 1,266,050</u>	<u>\$ 4,434,477</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Pension Plan Contributions	<u>\$ 63,180</u>	<u>\$ 13,801</u>	<u>\$ 76,981</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	\$ 11,814	\$ 9,299	\$ 21,113
Utility Deposits	4,775	600	5,375
Payroll Related Liabilities	943	(120)	823
Due to Other Funds	868,505	220,266	1,088,771
Accrued Interest Payable	-	375	375
Current Portion of Long Term Debt	8,584	-	8,584
Total Current Liabilities	894,621	230,420	1,125,041
Long Term Liabilities:			
Net Pension Liability	191,256	41,777	233,033
Non-Current Portion of Long Term Debt	434,788	-	434,788
Total Long Term Liabilities	626,044	41,777	667,821
Total Liabilities	<u>\$ 1,520,665</u>	<u>\$ 272,197</u>	<u>\$ 1,792,862</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Pension Plan Earnings	<u>\$ 9,308</u>	<u>\$ 2,033</u>	<u>\$ 11,341</u>
NET POSITION			
Net Investment in Capital Assets	\$ 1,534,895	\$ 889,084	\$ 2,423,979
Restricted for Debt Service	13,126	64,045	77,171
Unrestricted	153,613	52,492	206,105
Total Net Position	<u>\$ 1,701,634</u>	<u>\$ 1,005,621</u>	<u>\$ 2,707,255</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, 2020

	Business-Type Activities		
	Water Fund	Sewer Fund	Total
Operating Revenues:			
Utility Revenue	\$ 494,156	\$ 142,304	\$ 636,460
Total Operating Revenue	<u>494,156</u>	<u>142,304</u>	<u>636,460</u>
Operating Expenses:			
Salaries and Benefits	296,036	33,844	329,880
Insurance	14,437	4,812	19,249
Legal, Accounting and Professional Services	16,501	7,547	24,048
Permits and Fees	4,090	5,709	9,799
Depreciation & Amortization	87,345	54,588	141,933
Travel and Training	2,346	1,270	3,616
Repairs and Maintenance	26,450	10,374	36,824
Office	11,151	4,231	15,382
Utilities	40,030	11,862	51,892
Other Expenses	<u>34,903</u>	<u>10,140</u>	<u>45,043</u>
Total Operating Expenses	<u>533,289</u>	<u>144,377</u>	<u>677,666</u>
Operating Income (Loss)	(39,133)	(2,073)	(41,206)
Non-Operating Revenues and Expenses:			
Property Taxes		48,648	48,648
Capital Grants and Contributions	12,619	141,311	153,930
Other Local Income (Expense)	61,519	4,197	65,716
Interest Expense	<u>(12,560)</u>	<u>(48)</u>	<u>(12,608)</u>
Total Non-Operating Revenues and Expenses	<u>61,578</u>	<u>194,108</u>	<u>255,686</u>
Change in Net Position	22,445	192,035	214,480
Beginning Net Position	<u>1,679,392</u>	<u>813,383</u>	<u>2,492,775</u>
Ending Net Position	<u>\$ 1,701,837</u>	<u>\$ 1,005,418</u>	<u>\$ 2,707,255</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, 2020**

	<u>Business-Type Activities</u>		
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Cash Flows from (used by) Operating Activities:			
Cash Received from Customers	\$ 481,101	\$ 139,684	\$ 620,785
Cash Payments to Employees	(273,562)	(62,015)	(335,577)
Cash Payments to Suppliers	(154,190)	(78,507)	(232,697)
Net Cash Provided (Used) by Operating Activities	<u>53,349</u>	<u>(838)</u>	<u>52,511</u>
Cash Flows from Non-Capital Financing Activities:			
Property Taxes and Other Income	<u>61,519</u>	<u>52,845</u>	<u>114,364</u>
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>61,519</u>	<u>52,845</u>	<u>114,364</u>
Cash Flows from Capital and Related Financing Activities:			
Purchases of Fixed Assets	(70,165)	(174,802)	(244,967)
Cash Received from Grantors	12,619	144,496	157,115
	282,261	24,851	307,112
Principal Payments on Long-term Debt	(26,275)	(21,050)	(47,325)
Interest Payments on Long-term Debt	(12,560)	(48)	(12,608)
Net Cash Provided (Used) by Capital Financing Activities	<u>185,880</u>	<u>(26,553)</u>	<u>159,327</u>
Net Increase (Decrease) in Cash and Cash Equivalents	300,748	25,454	326,202
Cash and Cash Equivalents:			
Balance - July 1	<u>788,849</u>	<u>298,203</u>	<u>1,087,052</u>
Balance - June 30	<u>\$ 1,089,597</u>	<u>\$ 323,657</u>	<u>\$ 1,413,254</u>
Reconciliation:			
Operating Income (Loss)	\$ (39,133)	\$ (2,073)	\$ (41,206)
Adjustments to Reconcile Operating Income (Loss) to Net			
Cash Provided by Operating Activities:			
Depreciation and Amortization	87,345	54,588	141,933
(Increase)/Decrease in Accounts Receivable	(14,055)	(2,670)	(16,725)
(Increase)/Decrease in Prepaid Expenses	3,860	-	3,860
(Increase)/Decrease in Inventory	(13,502)	(27,000)	(40,502)
Increase/(Decrease) in Accounts Payable and Accrued Liabilities	6,156	3,877	10,033
Increase/(Decrease) in Services Paid in Advance			
Increase/(Decrease) in Net Pension Liability/Inflows and Outflows	<u>22,678</u>	<u>(27,560)</u>	<u>(4,882)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 53,349</u>	<u>\$ (838)</u>	<u>\$ 52,511</u>

The accompanying notes are an integral part of this statement.

FALL RIVER VALLEY COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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, along with construction cost, during fiscal year 2019-20.

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

FALL RIVER VALLEY COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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.

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 2019-20 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.

FALL RIVER VALLEY COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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.

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.

FALL RIVER VALLEY COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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 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

FALL RIVER VALLEY COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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.

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

FALL RIVER VALLEY COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

(expense/expenditure) until then. Currently, the District has only one item that qualifies for reporting in this category, deferred amounts from District pension contributions.

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, 2020

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 30, 2020, 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, 2020

NOTE 3 – PROPERTY, PLANT AND EQUIPMENT

A summary of changes in fixed assets follows:

	Balance <u>6/30/2019</u>	<u>Additions</u>	<u>Dispositions</u>	Balance <u>6/30/2020</u>
Land	\$ 218,731	\$ -	\$ -	\$ 218,731
Parks		319,865		319,865
Building	21,512	-	-	21,512
Water System	3,535,535	47,162	-	3,582,697
Sewer System	1,618,248	26,859	-	1,645,107
Equipment	265,851	76,175	76,574	265,452
Intangible Assets	74,946		-	74,946
Construction in Progress	473,553	232,336	118,139	587,750
	<u>6,208,376</u>	<u>702,397</u>	<u>194,713</u>	<u>6,716,060</u>
Accumulated Amortization	(34,715)	(7,067)		(41,782)
Accumulated Depreciation	<u>(3,050,483)</u>	<u>(134,308)</u>	<u>(29,687)</u>	<u>(3,155,104)</u>
	(3,085,198)	(141,375)	(29,687)	(3,196,886)
Property, Plant and Equipment, Net	<u>\$ 3,123,178</u>	<u>\$ 561,022</u>	<u>\$ 165,026</u>	<u>\$ 3,519,174</u>

FALL RIVER VALLEY COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 4 – NOTES AND BONDS PAYABLE

Long Term Debt is summarized as follows:

	<u>Balance</u> <u>6/30/2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>6/30/2020</u>
2.75% 2012 USDA Loan. \$500,000 Original Issue. Repayment Schedule will be established upon completion of project.	451,496	-	8,124	443,372
4.875% 2016 Plumas Bank Loan. \$60,505. Sixty monthly payments of \$1,138.34 beginning 7/10/16	24,201		24,201	-
Total Debt Payable	<u>\$ 475,697</u>	<u>\$ -</u>	<u>\$ 32,325</u>	443,372
Less Current Portion				(8,584)
Long Term Portion of Debt Payable				<u><u>\$ 434,788</u></u>

Debt service requirements on long-term debt at June 30, 2020 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	8,584	12,186	20,770
2022	8,820	11,950	20,770
2023	9,062	11,708	20,770
2024	9,311	11,459	20,770
2025	9,567	11,203	20,770
2026-2030	51,931	51,919	103,850
2031-2035	59,476	44,374	103,850
2036-2040	68,116	35,734	103,850
2041-2045	78,011	25,839	103,850
2046-2050	89,344	14,506	103,850
2051-2052	51,150	2,268	53,418
Totals	<u><u>\$ 443,372</u></u>	<u><u>\$ 233,146</u></u>	<u><u>\$ 676,518</u></u>

FALL RIVER VALLEY COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 5 – EXCESS OF EXPENSES OVER APPROPRIATIONS

As of June 30, 2020 expenses exceeded appropriations as follows:

Appropriations Category	Water Fund	Sewer Fund
Salaries and Benefits	\$ 6,044	\$ -
Insurance	\$ 5,194	\$ 1,731
Legal, Accounting and Professional Services	\$ 1,951	\$ 2,697
Permits and Fees	\$ 1,465	\$ 34
Depreciation	\$ 87,345	\$ 54,588
Travel and Training	\$ -	\$ 410
Other Expenses	\$ 4,777	\$ -

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.

FALL RIVER VALLEY COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

The District's attorney estimates that the amount of actual or potential claims against the District as of June 30, 2020 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.

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, 2018 the active employee contribution rate was 6.25% of annual pay. Contributions to the pension plan from the District was \$41,458, for the year ended June 30, 2020.

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

At June 30, 2020, the District reported a net pension liability of \$233,033 for its proportionate share of the total net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019. 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, 2019.

Based upon this information, the District's proportion was .00582%.

At June 30, 2020, 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, 2020

	Deferred Outflows of Resources	Deferred Inflow of Resources
Change in Assumptions	\$ 7,173	\$ -
Difference between Expected and Actual Experience	14,931	
Difference Between Projected and Actual Investment Earnings		4,074
Difference Between Employer's Contributions and Proportionate Share of Contributions	11,694	-
Change in Employer's Proportion	2,597	7,267
Contributions Subsequent to the Measurement Date	40,586	
Total	<u>\$ 76,981</u>	<u>\$ 11,341</u>

\$40,586 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, 2021. 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:		
	2021	\$ 21,616
	2022	(434)
	2023	3,048
	2024	823
	2025	-
	Total	<u>\$ 25,053</u>

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2018, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Discount Rate:	7.15%
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, 2020

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 7.15%. 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 7.15% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15% 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 7.15%, 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 (6.15%) or 1 percentage point higher (8.15%) than the current rate:

FALL RIVER VALLEY COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

	Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
Plan's Net Pension			
Liability/(Asset)	\$ 367,042	\$ 233,033	\$ 122,418

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>.

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>	<u>June 30, 2020</u>
District's Proportion of the Net pension Liability/(Asset)	0.003240%	0.006495%	0.005660%	0.005850%	0.005950%	0.005820%
Districts Proportionate Share of the Net Pension Liability/(Asset) \$	201,885	\$ 178,189	\$ 216,284	\$ 241,477	\$ 224,393	\$ 233,033
District's Covered-Employee Payroll	\$ 142,155	\$ 143,614	\$ 146,486	\$ 151,520	\$ 142,922	\$ 152,229
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%	153.08%
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%	74.96%
Plan's Proportionate Share of Aggregate Employer Contributions \$	14,963	\$ 20,432	\$ 30,464	\$ 30,464	\$ 34,838	\$ 41,458

Notes to Schedule:

Only six 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>	<u>Fiscal Year 2019-20</u>
Actuarially Determined Contribution	\$ 21,793	\$ 19,034	\$ 28,551	\$ 22,134	\$ 25,858	\$ 29,416
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>	<u>(29,416)</u>
Contribution Deficiency (Excess)	<u>\$ (9,685)</u>	<u>\$ (6,107)</u>	<u>\$ 190</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Employee Payroll	\$ 142,155	\$ 152,074	\$ 146,486	\$ 151,520	\$ 142,922	\$ 152,229
Contributions as a Percentage of Covered-Employee Payroll	15.33%	12.52%	19.49%	14.61%	18.09%	19.32%

Notes to Schedule:

Only six 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, 2020

	Budget Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Operating Revenues:				
Utility Revenue	\$ 477,783	\$ 477,783	\$ 494,156	\$ 16,373
Total Operating Revenue	477,783	477,783	494,156	16,373
Operating Expenses:				
Salaries and Benefits	267,284	267,284	296,036	(28,752)
Insurance	9,243	9,243	14,437	(5,194)
Legal, Accounting and Professional Services	14,550	14,550	16,501	(1,951)
Permits and Fees	2,625	2,625	4,090	(1,465)
Depreciation	-	-	87,345	(87,345)
Travel and Training	3,593	3,593	2,346	1,247
Repairs and Maintenance	48,840	48,840	26,450	22,390
Office	22,530	22,530	11,151	11,379
Utilities	40,926	40,926	40,030	896
Other Expenses	30,126	30,126	34,903	(4,777)
Total Operating Expenses	439,717	439,717	533,289	(93,572)
Operating Income (Loss)	38,066	38,066	(39,133)	(77,199)
Non-Operating Revenue (Expense):				
Property Taxes	-	-	-	-
Capital Grants and Contributions	-	-	12,619	
Other Local Income	-	-	61,519	61,519
Interest Expense	(13,450)	(13,450)	(12,560)	890
Total Non-Operating Revenues (Expenses)	(13,450)	(13,450)	61,578	62,409
Net Income (Loss)	\$ 24,616	\$ 24,616	\$ 22,445	\$ (14,790)

FALL RIVER VALLEY COMMUNITY SERVICES DISTRICT
STATEMENT OF OPERATIONS - PROPRIETARY FUNDS - BUDGET AND ACTUAL
SEWER UTILITY FUND
FOR THE YEAR ENDED JUNE 30, 2020

	Budget Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Operating Revenues:				
Utility Revenue	\$ 145,860	\$ 145,860	\$ 142,304	\$ (3,556)
Total Operating Revenue	145,860	145,860	142,304	(3,556)
Operating Expenses:				
Salaries and Benefits	89,095	89,095	33,844	55,251
Insurance	3,081	3,081	4,812	(1,731)
Legal, Accounting and Professional Services	4,850	4,850	7,547	(2,697)
Permits and Fees	5,675	5,675	5,709	(34)
Depreciation	-	-	54,588	(54,588)
Travel and Training	860	860	1,270	(410)
Repairs and Maintenance	44,280	44,280	10,374	33,906
Office	6,050	6,050	4,231	1,819
Utilities	11,165	11,165	11,862	
Other Expenses	10,965	10,965	10,140	825
Total Operating Expenses	176,021	176,021	144,377	31,644
Operating Income (Loss)	(30,161)	(30,161)	(2,073)	28,088
Non-Operating Revenue (Expense):				
Property Taxes	43,000	43,000	48,648	5,648
Capital Grants and Contributions	-	-	141,311	141,311
Other Local Income	-	-	4,197	4,197
Interest Expense	(345)	(345)	(48)	297
Total Non-Operating Revenues (Expenses)	42,655	42,655	194,108	151,453
Net Income (Loss)	\$ 12,494	\$ 12,494	\$ 192,035	\$ 179,541

**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, 2020 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 30, 2020.

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 2020-001 and 2020-002 to be material weaknesses.

Susanville:

1740 Main Street, Suite A, Susanville, CA 96130
530.257.1040 Fax: 530.257.8876

35

sa@sa-cpas.com
www.sa-cpas.com

Chester:

PO Box 795, Chester, CA 96020
530.258.2272 Fax: 530.258.2282

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*.

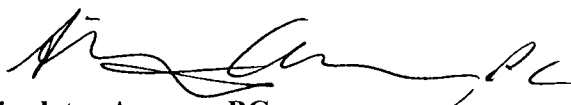
District's Response to Findings

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 30, 2020

**FALL RIVER VALLEY COMMUNITY SERVICES DISTRICT
COMBINED SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2020**

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, 2020**

Finding 2020-001 Lack of Segregation of Duties

Criteria Upon Which Audit Finding is Based (Legal Citation)

AU-C Section 265: Communicating Internal Control Related Matters Identified in an Audit.

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, 2020**

Finding 2020-002 Financial Reporting

Criteria Upon Which Audit Finding is Based (Legal Citation)

In accordance with AU-C Section 265, 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 AU-C Section 265.

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, 2020**

Finding 2019-1

An inadequate segregation of duties exists.

Status

Not implemented. See current year Material Weakness 2020-001.

Finding 2019-2

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 2020-002.

**FALL RIVER VALLEY COMMUNITY SERVICES DISTRICT
CORRECTIVE ACTION PLAN
JUNE 30, 2020**

Person Monitoring Corrective Action Plan
General Manager, Cecil Ray

Finding 2020-001 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 2020-002 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.