

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, 2021

FALL RIVER VALLEY COMMUNITY SERVICES DISTRICT
Audited Financial Statements
JUNE 30, 2021

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FINANCIAL SECTION

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, 2021, 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.

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, 2021, 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 October 14, 2021, 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,

SingletonAuman PC
Susanville, CA
October 14, 2021

FALL RIVER VALLEY COMMUNITY SERVICES DISTRICT
Management's Discussion and Analysis (MD&A)
June 30, 2021

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, 2021. 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 \$3,503,913 at June 30, 2021.
- ❑ Overall revenues were \$948,091 and expenses were \$736,443 resulting in an increase in net assets of \$203,064.

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, 2021. 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, 2021. 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, 2021. The statement of cash flows shows the changes in cash during the fiscal year ended June 30, 2021 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 \$3,503,913 at June 30, 2021. See Table 1.

Table 1: Net Position

	2021	2020	Total Percentage Change 2021-2020
Assets:			
Cash and Investments	\$ 329,325	\$ 292,505	12.59%
Accounts Receivable-Customers	100,333	86,992	15.34%
Accounts Receivable- Grantors		128,651	-100.00%
Due from Other Funds	1,440,666	1,093,692	31.73%
Inventory	60,000	60,000	0.00%
Capital Assets, Net of Accumulated Depreciation	3,565,139	3,519,174	1.31%
TOTAL ASSETS	\$ 5,495,463	\$ 5,181,014	6.07%
Deferred Outflows of Resources			
Deferred Contributions to District Pension Plan	\$ 136,696	\$ 76,981	77.57%
Liabilities:			
Accounts Payable and Accrued Expenses	\$ 17,696	\$ 170,333	-89.61%
Utility Deposits	6,100	5,375	13.49%
Due to Other Funds	1,422,250	1,093,692	30.04%
Current Portion of Long-Term Debt	8,820	8,584	2.75%
Net Pension Liability	240,152	233,033	3.05%
Non-Current Portion of Long-Term Debt	425,967	434,788	-2.03%
TOTAL LIABILITIES	\$ 2,120,985	\$ 1,945,805	9.00%
Deferred Inflows of Resources			
Deferred Pension Plan Income	\$ 7,261	\$ 11,341	-35.98%
Net Position			
Net Investment in Capital Assets	\$ 3,130,352	\$ 3,075,802	1.77%
Restricted for Debt Service	15,226	77,171	-80.27%
Unrestricted	358,335	147,876	142.32%
TOTAL NET POSITION	\$ 3,503,913	\$ 3,300,849	6.15%

Changes in Net Position

Operating revenues from user service charges normally make-up the majority of total revenues, which was 73.3% of total revenues for the 20/21 fiscal year. Funds received specifically for capital improvement projects were \$139,649.

Table 2:
Changes in Net Position

	Government-Wide Activities		Total Percentage Change
	2021	2020	2021-2020
Revenues			
<u>Program Revenues:</u>			
Charges for Services	\$ 695,328	\$ 636,460	9.25%
Capital Grants and Contributions	139,649	374,827	-62.74%
<u>General Revenues:</u>			
Property Taxes	49,047	48,648	0.82%
Miscellaneous Income	64,067	66,514	-3.68%
TOTAL REVENUES	<u>948,091</u>	<u>1,126,449</u>	-15.83%
<u>Program Expenses:</u>			
Water and Sewer	707,140	690,274	2.44%
General	37,887	9,847	284.76%
TOTAL EXPENSES	<u>745,027</u>	<u>700,121</u>	6.41%
Increase / (Decrease) in Net Position	<u>\$ 203,064</u>	<u>\$ 426,328</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 \$49,047.

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

	Total Cost of Services		Net Revenue (Cost) from Services	
	2021	2020	2021	2020
Water and Sewer	\$ 736,443	\$ 690,274	\$ 98,534	\$ 100,116
TOTAL	<u>\$ 736,443</u>	<u>\$ 690,274</u>	<u>\$ 98,534</u>	<u>\$ 100,116</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, 2021, the District had invested \$3,565,139 in a broad range of capital assets, including land and the water and sewer systems. During the year the District invested in a truck, an A-frame hoist, a new roof and electrical improvements, and more park improvements.

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
	2021	2020	2021-2020
Land	\$ 218,731	\$ 218,731	0.00%
Parks	378,518	319,865	18.34%
Building	113,591	21,512	428.04%
Water System	3,591,012	3,582,697	0.23%
Sewer System	1,655,304	1,645,107	0.62%
Construction in Progress	606,713	587,750	3.23%
Equipment	277,463	265,452	4.52%
Amortized Asset	74,946	74,946	100.00%
Totals at Historical Cost	6,916,278	6,716,060	2.98%
Total Accumulated Depreciation/Amortization	(3,351,139)	(3,196,886)	4.83%
NET CAPITAL ASSETS	\$ 3,565,139	\$ 3,519,174	1.31%

Table 5
Long-Term Debt

	Business-Type Activities		Change
	2021	2020	2021-2020
Net Pension Liability	\$ 240,152	\$ 233,033	3.05%
2012 USDA Loan	425,967	443,372	-3.93%
Total Debt Payable	<u>\$ 666,119</u>	<u>\$ 676,405</u>	-1.52%

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, 2021

	Governmental Activities General Fund	Business-Type Activities Water and Sewer Activities	Total
ASSETS			
Current Assets:			
Cash on Hand and in Banks	\$ (1,437,799)	\$ 1,767,124	\$ 329,325
Accounts Receivable-Customers		100,333	100,333
Due from Other Funds	1,440,666		1,440,666
Inventory		60,000	60,000
Total Current Assets	2,867	1,927,457	1,930,324
Non-Current Assets			
Property, Plant & Equipment, Net	648,398	2,916,741	3,565,139
Total Non-Current Assets	648,398	2,916,741	3,565,139
Total Assets	\$ 651,265	\$ 4,844,198	\$ 5,495,463
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Recognition Contributions to Pension Plan	\$ -	\$ 136,696	\$ 136,696
LIABILITIES			
Current Liabilities:			
Accounts Payable		\$ 17,321	\$ 17,321
Utility Deposits		6,100	6,100
Accrued Payroll and Related Liabilities	(823)	823	-
Due to Other Funds	19,150	1,403,100	1,422,250
Accrued Interest Payable		375	375
Current Portion of Long Term Debt		8,820	8,820
Total Current Liabilities	18,327	1,436,539	1,454,866
Long Term Liabilities:			
Net Pension Liability	-	240,152	240,152
Non-Current Portion of Long Term Debt		425,967	425,967
Total Long Term Liabilities	-	666,119	666,119
Total Liabilities	\$ 18,327	\$ 2,102,658	\$ 2,120,985
DEFERRED INFLOWS OF RESOURCES			
Deferred Recognition of Pension Plan Earnings	\$ -	\$ 7,261	\$ 7,261
NET POSITION			
Net Investment in Capital Assets	\$ 648,398	\$ 2,481,954	\$ 3,130,352
Restricted for Debt Service		15,226	15,226
Unrestricted	(15,460)	373,795	358,335
Total Net Position	\$ 632,938	\$ 2,870,975	\$ 3,503,913

The accompanying notes are an integral part of this statement.

FALL RIVER VALLEY COMMUNITY SERVICES DISTRICT
STATEMENT OF ACTIVITIES
JUNE 30, 2021

	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	\$ 37,887	\$ -	\$ 54,141	\$ 16,254	\$ 16,254
Business - Type Activities					
Water Utility	522,667	63,206	-	73,636	73,636
Sewer Utility	175,889	22,302	-	8,644	8,644
Total Business - Type Activities	698,556	85,508	-	82,280	82,280
Total Primary Government Activities	\$ 736,443	\$ 139,649	\$ 16,254	\$ 82,280	\$ 98,534
General Revenues:					
Property Taxes			22,880	26,167	49,047
Other Local Income			210	63,857	64,067
Total General Revenue			23,090	90,024	113,114
General Expenses:					
Interest Expense				(8,584)	(8,584)
Total General Expenses				(8,584)	(8,584)
Change in Net Position			39,344	163,720	203,064
Net Position Beginning			593,594	2,707,255	3,300,849
Net Position Ending			\$ 632,938	\$ 2,870,975	\$ 3,503,913

The accompanying notes are an integral part of this statement.

**FALL RIVER VALLEY COMMUNITY SERVICES DISTRICT
GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2021**

	<u>General Fund</u>
ASSETS	
Due from other funds	\$ 1,440,666
TOTAL ASSETS	<u>\$ 1,440,666</u>
LIABILITIES AND FUND BALANCE	
Liabilities:	
Cash Overdraft	\$ 1,437,799
Accrued Payroll and Related Liabilities	(823)
Due to other funds	19,150
Total Liabilities	<u>1,456,126</u>
Fund Balance:	
Unrestricted	<u>(15,460)</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 1,440,666</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, 2021**

Total Fund Balances- Governmental Funds	\$ (15,460)
Reconciling Items:	
Capital Assets are not recorded in the Governmental Funds	<u>648,398</u>
Total Net Position - Governmental Activities	<u><u>\$ 632,938</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, 2021**

	General Fund
REVENUES	
Capital Grants	\$ 54,141
Property Taxes	22,880
Miscellaneous	210
Total Revenues	<u>77,231</u>
EXPENDITURES	
Salaries and Benefits	13,240
Legal and Professional	3,040
Other Expense	3,156
Capital Outlay	15,027
Total Expenditures	<u>34,463</u>
Excess of Revenue over (under) Expenditures	42,768
Fund Balance - July 1	<u>(58,228)</u>
Fund Balance - June 30	<u>\$ (15,460)</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, 2021

	Business-Type Activities		
	Water Fund	Sewer Fund	Total
ASSETS			
Current Assets:			
Cash on Hand and in Banks	\$ 1,367,372	\$ 399,752	\$ 1,767,124
Accounts Receivable-Customers	71,839	28,494	100,333
Inventory	33,000	27,000	60,000
Total Current Assets	1,472,211	455,246	1,927,457
Capital Assets:			
Property, Plant & Equipment, Net	2,042,327	874,414	2,916,741
Total Assets	<u>\$ 3,514,538</u>	<u>\$ 1,329,660</u>	<u>\$ 4,844,198</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Pension Plan Contributions	<u>\$ 115,006</u>	<u>\$ 21,690</u>	<u>\$ 136,696</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	\$ 17,015	\$ 306	\$ 17,321
Utility Deposits	5,650	450	6,100
Payroll Related Liabilities	943	(120)	823
Due to Other Funds	1,141,729	261,371	1,403,100
Accrued Interest Payable	-	375	375
Current Portion of Long Term Debt	8,820	-	8,820
Total Current Liabilities	1,174,157	262,382	1,436,539
Long Term Liabilities:			
Net Pension Liability	202,046	38,106	240,152
Non-Current Portion of Long Term Debt	425,967	-	425,967
Total Long Term Liabilities	628,013	38,106	666,119
Total Liabilities	<u>\$ 1,802,170</u>	<u>\$ 300,488</u>	<u>\$ 2,102,658</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Pension Plan Earnings	<u>\$ 6,109</u>	<u>\$ 1,152</u>	<u>\$ 7,261</u>
NET POSITION			
Net Investment in Capital Assets	\$ 1,607,540	\$ 874,414	\$ 2,481,954
Restricted for Debt Service	15,226		15,226
Unrestricted	198,499	175,296	373,795
Total Net Position	<u>\$ 1,821,265</u>	<u>\$ 1,049,710</u>	<u>\$ 2,870,975</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, 2021

	Business-Type Activities		
	Water Fund	Sewer Fund	Total
Operating Revenues:			
Utility Revenue	\$ 533,097	\$ 162,231	\$ 695,328
Total Operating Revenue	<u>533,097</u>	<u>162,231</u>	<u>695,328</u>
Operating Expenses:			
Salaries and Benefits	260,686	47,221	307,907
Insurance	14,488	4,830	19,318
Legal, Accounting and Professional Services	30,491	15,843	46,334
Permits and Fees	4,912	6,982	11,894
Depreciation & Amortization	85,082	56,052	141,134
Travel and Training	2,716	905	3,621
Repairs and Maintenance	19,920	14,559	34,479
Office	8,704	3,462	12,166
Utilities	53,960	12,386	66,346
Other Expenses	<u>41,708</u>	<u>13,649</u>	<u>55,357</u>
Total Operating Expenses	<u>522,667</u>	<u>175,889</u>	<u>698,556</u>
Operating Income (Loss)	10,430	(13,658)	(3,228)
Non-Operating Revenues and Expenses:			
Property Taxes		26,167	26,167
Capital Grants and Contributions	63,206	22,302	85,508
Other Local Income (Expense)	54,579	9,278	63,857
Interest Expense	<u>(8,584)</u>	<u>-</u>	<u>(8,584)</u>
Total Non-Operating Revenues and Expenses	<u>109,201</u>	<u>57,747</u>	<u>166,948</u>
Change in Net Position	119,631	44,089	163,720
Beginning Net Position	<u>1,701,634</u>	<u>1,005,621</u>	<u>2,707,255</u>
Ending Net Position	<u>\$ 1,821,265</u>	<u>\$ 1,049,710</u>	<u>\$ 2,870,975</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, 2021**

	Business-Type Activities		
	Water Fund	Sewer Fund	Total
Cash Flows from (used by) Operating Activities:			
Cash Received from Customers	\$ 529,696	\$ 153,016	\$ 682,712
Cash Payments to Employees	(304,921)	(59,662)	(364,583.00)
Cash Payments to Suppliers	(171,698)	(81,609)	(253,307)
Net Cash Provided (Used) by Operating Activities	53,077	11,745	64,822
Cash Flows from Non-Capital Financing Activities:			
Property Taxes and Other Income	54,579	35,445	90,024
Net Cash Provided (Used) by Non-Capital Financing Activities	54,579	35,445	90,024
Cash Flows from Capital and Related Financing Activities:			
Purchases of Fixed Assets	(149,142)	(41,382)	(190,524)
Cash Received from Grantors	63,206	29,182	92,388
Interfund Financing	273,224	41,105	314,329
Principal Payments on Long-term Debt	(8,585)		(8,585)
Interest Payments on Long-term Debt	(8,584)		(8,584)
Net Cash Provided (Used) by Capital Financing Activities	170,119	28,905	199,024
Net Increase (Decrease) in Cash and Cash Equivalents	277,775	76,095	353,870
Cash and Cash Equivalents:			
Balance - July 1	1,089,597	323,657	1,413,254
Balance - June 30	\$ 1,367,372	\$ 399,752	\$ 1,767,124
Reconciliation:			
Operating Income (Loss)	\$ 10,430	\$ (13,658)	\$ (3,228)
Adjustments to Reconcile Operating Income (Loss) to Net			
Cash Provided by Operating Activities:			
Depreciation and Amortization	85,082	56,052	141,134
(Increase)/Decrease in Accounts Receivable	(4,276)	(9,065)	(13,341)
Increase/(Decrease) in Accounts Payable and Accrued Liabilities	5,201	(8,993)	(3,792)
Increase (Decrease) in Utility Deposits	875	(150)	
Increase/(Decrease) in Net Pension Liability/Inflows and Outflows	(44,235)	(12,441)	(56,676)
Net Cash Provided (Used) by Operating Activities	\$ 53,077	\$ 11,745	\$ 64,097

The accompanying notes are an integral part of this statement.

FALL RIVER VALLEY COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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 and 2020-21.

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, 2021

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 2020-21 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
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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 judgments, 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
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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, 2021

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, 2021

(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, 2021

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 October 14, 2021, 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, 2021

NOTE 3 – PROPERTY, PLANT AND EQUIPMENT

A summary of changes in fixed assets follows:

	Balance <u>6/30/2020</u>	<u>Additions</u>	<u>Dispositions</u>	Balance <u>6/30/2021</u>
Land	\$ 218,731	\$ -	\$ -	\$ 218,731
Parks	319,865	58,653		378,518
Building	21,512	92,079		113,591
Water System	3,582,697	8,315		3,591,012
Sewer System	1,645,107	10,197		1,655,304
Equipment	265,452	12,011		277,463
Intangible Assets	74,946			74,946
Construction in Progress	<u>587,750</u>	<u>157,179</u>	<u>138,216</u>	<u>606,713</u>
	6,716,060	338,434	138,216	6,916,278
Accumulated Amortization	(41,782)	(7,495)		(49,277)
Accumulated Depreciation	<u>(3,155,104)</u>	<u>(146,758)</u>		<u>(3,301,862)</u>
	(3,196,886)	(154,253)	-	(3,351,139)
Property, Plant and Equipment, Net	<u>\$ 3,519,174</u>	<u>\$ 184,181</u>	<u>\$ 138,216</u>	<u>\$ 3,565,139</u>

FALL RIVER VALLEY COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 4 – NOTES AND BONDS PAYABLE

Long Term Debt is summarized as follows:

	<u>Balance</u> <u>6/30/2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>6/30/2021</u>
2.75% 2012 USDA Loan. \$500,000 Original Issue. Repayment Schedule will be established upon completion of project.	443,372	-	8,585	434,787
4.875% 2016 Plumas Bank Loan. \$60,505. Sixty monthly payments of \$1,138.34 beginning 7/10/16	-		-	-
Total Debt Payable	<u>\$ 443,372</u>	<u>\$ -</u>	<u>\$ 8,585</u>	<u>434,787</u>
Less Current Portion				(8,820)
Long Term Portion of Debt Payable				<u>\$ 425,967</u>

Debt service requirements on long-term debt at June 30, 2021 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	9,831	10,939	20,770
2027-2031	53,360	50,490	103,850
2031-2035	61,111	42,739	103,850
2036-2040	69,989	33,861	103,850
2041-2045	80,157	23,693	103,850
2046-2050	91,801	12,049	103,850
2051-2052	31,778	868	32,646
Totals	<u>\$ 434,787</u>	<u>\$ 220,959</u>	<u>\$ 655,746</u>

FALL RIVER VALLEY COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 5 – EXCESS OF EXPENSES OVER APPROPRIATIONS

As of June 30, 2021 expenses exceeded appropriations as follows:

Appropriations Category	Water Fund	Sewer Fund
Insurance	\$ 3,688	\$ 1,230
Legal, Accounting and Professional Services		\$ 7,843
Permits and Fees		\$ 632
Depreciation	\$ 85,082	\$ 56,052
Repairs and Maintenance	\$ 3,276	\$ 864
Office	\$ 3,124	\$ 1,602
Utilities	\$ 16,190	
Other Expenses	\$ 2,176	\$ 3,499

The District did not budget for depreciation. Additionally, the District incurred unanticipated expenses for insurance, legal, accounting and professional services, repairs and maintenance, permits and fees, office expenses, utilities 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, 2021 will not materially affect the financial condition of the District. Therefore,

FALL RIVER VALLEY COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

The District's attorney estimates that the amount of actual or potential claims against the District as of June 30, 2021 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 CalPERS actuarial evaluation report available at <https://www.calpers.ca.gov/docs/forms-publications/actuarial-valuation-section2-miscellaneous-2020.pdf>

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, 2020 the active employee contribution rate was 6.25% of annual pay. Contributions to the pension plan from the District was \$40,856, for the year ended June 30, 2021.

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

At June 30, 2021, the District reported a net pension liability of \$240,152 for its proportionate share of the total net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020. 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, 2020.

Based upon this information, the District's proportion was .00569%.

At June 30, 2021, 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, 2021

	Deferred Outflows of Resources	Deferred Inflow of Resources
Change in Assumptions		\$ 1,713
Difference between Expected and Actual Experience	12,376	
Difference Between Projected and Actual Investment Earnings	7,134	-
Difference Between Employer's Contributions and Proportionate Share of Contributions	11,180	-
Change in Employer's Proportion	74,510	5,549
Contributions Subsequent to the Measurement Date	31,497	
Total	<u><u>\$ 136,697</u></u>	<u><u>\$ 7,262</u></u>

\$31,497 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, 2022. 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:		
2022	\$	80,921
2023		8,061
2024		5,534
2025		3,422
2026		-
Total	<u><u>\$</u></u>	<u><u>97,938</u></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, 2021

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, 2021

	Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
Plan's Net Pension Liability/(Asset)	\$ 378,255	\$ 240,152	\$ 126,158

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 – SUBSEQUENT EVENTS

In preparing the financial statements, management has evaluated events and transactions for potential recognition or disclosure through October 14, 2021, the date that the financial statements were available to be issued.

**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
District's Proportion of the Net pension Liability/(Asset)	<u>June 30, 2021</u> 0.005690%					
Districts Proportionate Share of the Net Pension Liability/(Asset)	\$ 240,152					
District's Covered-Employee Payroll	\$ 156,453					
District's Proportionate Share of the net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	153.50%					
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's total Pension Liability	75.20%					
Plan's Proportionate Share of Aggregate Employer Contributions	\$ 40,586					

Only seven 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**

	Fiscal Year 2014-15	Fiscal Year 2015-16	Fiscal Year 2016-17	Fiscal Year 2017-18	Fiscal Year 2018-19	Fiscal Year 2019-20	Fiscal Year 2020-21
Actuarially Determined Contribution	\$ 21,793	\$ 19,034	\$ 28,551	\$ 22,134	\$ 25,858	\$ 29,416	\$ 31,497
Contributions in Relation to the							
Actuarially Determined Contribution	(31,478)	(25,141)	(28,361)	(22,134)	(25,858)	(29,416)	(31,497)
Contribution Deficiency (Excess)	<u>\$ (9,685)</u>	<u>\$ (6,107)</u>	<u>\$ 190</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Employee Payroll	\$ 142,155	\$ 152,074	\$ 146,486	\$ 151,520	\$ 142,922	\$ 152,229	\$ 156,453
Contributions as a Percentage of							
Covered-Employee Payroll	15.33%	12.52%	19.49%	14.61%	18.09%	19.32%	20.13%

Notes to Schedule:

Only seven 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, 2021

	Budget Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Operating Revenues:				
Utility Revenue	\$ 490,550	\$ 490,550	\$ 533,097	\$ 42,547
Total Operating Revenue	490,550	490,550	533,097	42,547
Operating Expenses:				
Salaries and Benefits	269,226	269,226	260,686	8,540
Insurance	10,800	10,800	14,488	(3,688)
Legal, Accounting and Professional Services	57,000	57,000	30,491	26,509
Permits and Fees	16,525	16,525	4,912	11,613
Depreciation	-	-	85,082	(85,082)
Travel and Training	4,995	4,995	2,716	2,279
Repairs and Maintenance	16,644	16,644	19,920	(3,276)
Office	5,580	5,580	8,704	(3,124)
Utilities	37,770	37,770	53,960	(16,190)
Other Expenses	39,532	39,532	41,708	(2,176)
Total Operating Expenses	458,072	458,072	522,667	(64,595)
Operating Income (Loss)	32,478	32,478	10,430	(22,048)
Non-Operating Revenue (Expense):				
Capital Grants and Contributions	-	-	63,206	63,206
Other Local Income	-	-	54,579	54,579
Interest Expense	(12,800)	(12,800)	(8,584)	4,216
Total Non-Operating Revenues (Expenses)	(12,800)	(12,800)	109,201	122,001
Net Income (Loss)	\$ 19,678	\$ 19,678	\$ 119,631	\$ 99,953

FALL RIVER VALLEY COMMUNITY SERVICES DISTRICT
STATEMENT OF OPERATIONS - PROPRIETARY FUNDS - BUDGET AND ACTUAL
SEWER UTILITY FUND
FOR THE YEAR ENDED JUNE 30, 2021

	Budget Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Operating Revenues:				
Utility Revenue	\$ 145,000	\$ 145,000	\$ 162,231	\$ 17,231
Total Operating Revenue	145,000	145,000	162,231	17,231
Operating Expenses:				
Salaries and Benefits	89,742	89,742	47,221	42,521
Insurance	3,600	3,600	4,830	(1,230)
Legal, Accounting and Professional Services	8,000	8,000	15,843	(7,843)
Permits and Fees	6,350	6,350	6,982	(632)
Depreciation	-	-	56,052	(56,052)
Travel and Training	1,665	1,665	905	760
Repairs and Maintenance	13,695	13,695	14,559	(864)
Office	1,860	1,860	3,462	(1,602)
Utilities	12,590	12,590	12,386	
Other Expenses	10,150	10,150	13,649	(3,499)
Total Operating Expenses	147,652	147,652	175,889	(28,237)
Operating Income (Loss)	(2,652)	(2,652)	(13,658)	(11,006)
Non-Operating Revenue (Expense):				
Property Taxes	14,400	14,400	26,167	11,767
Capital Grants and Contributions	-	-	22,302	22,302
Other Local Income	-	-	9,278	9,278
Total Non-Operating Revenues (Expenses)	14,400	14,400	57,747	43,347
Net Income (Loss)	\$ 11,748	\$ 11,748	\$ 44,089	\$ 32,341

**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, 2021 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 October 14, 2021.

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 2021-001 and 2021-002 to be material weaknesses.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs listed as item 2021-003 to be a significant deficiency.

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,

SingletonAuman, PC
Susanville, CA
October 14, 2021

**FALL RIVER VALLEY COMMUNITY SERVICES DISTRICT
COMBINED SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2021**

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, 1 Significant Deficiency
3. **Material Noncompliance Noted:** None

**FALL RIVER VALLEY COMMUNITY SERVICES DISTRICT
COMBINED SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2021**

Look @ FS-15 to make sure this is up-to-date

Finding 2021-001 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 disbursement function would include separating responsibility for preparing voucher packages, preparing check requests, approving checks for payments, and mailing checks.
- 2) 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.

- 3) 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.
- 4) 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, 2021**

Finding 2021-001 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) 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.

- 2) 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.
- 3) 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, 2021**

Finding 2021-002 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
COMBINED SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2021**

Finding 2021-003 Purchasing Policy

Criteria Upon Which Audit Finding is Based (Legal Citation)

AU-C Section 265, the District is responsible for implementing systems designed to achieve effective internal controls to help ensure that resources are safeguarded, while being used efficiently and effectively.

Finding (Condition)

We noted that the purchasing policy of the District does not specially define what level of approval is needed prior to the district being obligated for purchases. A system commonly used for obtaining and documenting prior authorization is the use of purchase orders.

Amount of Questioned Costs, How Computed and Prevalence

For 9 out of 23 disbursements tested, there was no indication of prior authorization.

Effect

The District is at risk for unauthorized disbursements.

Cause

This condition has always existed at the district and is being reported in accordance with AU-C Section 265.

Recommendation

We recommend the District establish policies and procedures to include consideration of what levels of authorization are needed for different dollar thresholds of purchases. This may also include a minimum threshold requiring the use of a purchase order, as well as the use of open purchase orders for regular and recurring transactions.

District's Response

The District concurs with this finding.

**FALL RIVER VALLEY COMMUNITY SERVICES DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
JUNE 30, 2021**

Finding 2020-1

An inadequate segregation of duties exists.

Status

Partially implemented. See current year Material Weakness 2021-001.

Finding 2020-2

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 2021-002.

**FALL RIVER VALLEY COMMUNITY SERVICES DISTRICT
CORRECTIVE ACTION PLAN
JUNE 30, 2021**

Person Monitoring Corrective Action Plan
General Manager, Cecil Ray

Finding 2021-001 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 2021-002 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.

**FALL RIVER VALLEY COMMUNITY SERVICES DISTRICT
CORRECTIVE ACTION PLAN
JUNE 30, 2021**

Finding 2021-003 Purchasing Policy

Finding (Condition)

We noted that the purchasing policy of the District does not specially define what level of approval is needed prior to the district being obligated for purchases.

Corrective Action Planned

The District will investigate revising its policies and procedures to implement a purchasing system that will include authorization for all purchases.