

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, 2022

FALL RIVER VALLEY COMMUNITY SERVICES DISTRICT
Audited Financial Statements
June 30, 2022

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)	3
<u>Basic Financial Statements</u>	
Government-wide Statement of Net Position	8
Government-wide Statement of Activities	9
<u>Fund Financial Statements</u>	
Balance Sheet- Governmental Funds	10
Reconciliation of the Governmental Funds Balance Sheet to the Statement Of Net Position	11
Statement of Revenue, Expenses and Changes in Fund Balance – Governmental Funds	12
Statement of Net Position- Proprietary Funds	13
Statement of Revenue, Expenses and Changes in Fund Net Position – Proprietary Funds	14
Statement of Cash Flows - Proprietary Funds	15
Notes to Financial Statements	16
<u>Required Supplementary Information</u>	
District's Proportionate Share of the Net Pension Liability	30
Schedule of District Contributions	31
<u>Other Supplementary Information</u>	
Statement of Operations – Budget and Actual Water Utility Fund	32
Statement of Operations – Budget and Actual Sewer Utility Fund	33
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 <i>Government Auditing Standards</i>	34
Combined Schedule of Findings and Questioned Costs	36
Summary Schedule of Prior Year Audit Findings	40
Corrective Action Plan	41

INDEPENDENT AUDITOR'S REPORT

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

Opinions

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, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Fall River Valley Community Services District's basic financial statements as listed in the table of contents.

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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Fall River Valley Community Services District, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Fall River Valley Community Services District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fall River Valley Community Services District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Susanville:

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

sa@sa¹cpas.com
www.sa-cpas.com

Chester:

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

In performing an audit in accordance with generally accepted auditing standards, and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Fall River Valley Community Services District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fall River Valley Community Services District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

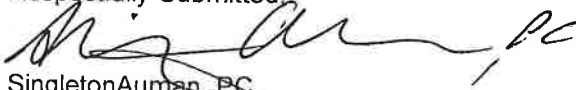
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is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

Management has omitted the budgetary comparison information that accounting principals generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statement in an appropriate operational, economic, or historical context. Our opinion on the basic financial statement is not affected by the missing information.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated May 15th, 2023 on our consideration of the District's internal control over financial reporting and our tests of it 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. The 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, California
May 15, 2023

FALL RIVER VALLEY COMMUNITY SERVICES DISTRICT
Management's Discussion and Analysis (MD&A)
June 30, 2022

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, 2022. 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 \$3,651,032 at June 30, 2022.
- Overall revenues were \$1,123,549 and expenses were \$901,819 resulting in an increase in net assets of \$221,730.

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, 2022. 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, 2022. 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, 2022. The statement of cash flows shows the changes in cash during the fiscal year ended June 30, 2022 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 \$3,651,032 at June 30, 2022. See Table 1.

Table 1: Net Position

	2022	2021	Total Percentage Change 2022-2021
Assets:			
Cash and Investments	\$ 380,594	\$ 329,325	15.57%
Accounts Receivable-Customers	129,421	96,402	34.25%
Due from Other Funds	1,849,285	1,440,666	28.36%
Inventory	66,700	60,000	11.17%
Capital Assets, Net of Accumulated Depreciation	3,679,899	3,565,139	3.22%
TOTAL ASSETS	\$ 6,105,899	\$ 5,491,532	11.19%
Deferred Outflows of Resources			
Deferred Contributions to District Pension Plan	\$ 73,652	\$ 136,696	-46.12%
Liabilities:			
Accounts Payable and Accrued Expenses	\$ 13,527	\$ 17,696	-23.56%
Utility Deposits	4,981	6,100	-18.34%
Due to Other Funds	1,827,282	1,422,250	28.48%
Current Portion of Long-Term Debt	9,062	8,820	2.74%
Net Pension Liability	134,604	240,152	-43.95%
Non-Current Portion of Long-Term Debt	408,085	425,967	-4.20%
TOTAL LIABILITIES	\$ 2,397,541	\$ 2,120,985	13.04%
Deferred Inflows of Resources			
Deferred Pension Plan Income	\$ 130,978	\$ 7,261	1703.86%
Net Position			
Net Investment in Capital Assets Restricted for Debt Service	\$ 3,262,752	\$ 3,130,352	4.23%
Restricted for Short Lived Assets	20,770	15,226	36.41%
Unrestricted	80,000	-	
	287,510	354,404	-18.88%
TOTAL NET POSITION	\$ 3,651,032	\$ 3,499,982	4.32%

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 21/22 fiscal year. Funds received specifically for capital improvement projects were \$253,310.

**Table 2:
Changes in Net Position**

	Government-Wide Activities		Total Percentage
	2022	2021	Change 2022-2021
Revenues			
<u>Program Revenues:</u>			
Charges for Services	\$ 685,682	\$ 689,317	-0.53%
Capital Grants and Contributions	253,310	139,649	81.39%
<u>General Revenues:</u>			
Property Taxes	50,173	49,047	2.30%
Miscellaneous Income	134,384	64,067	109.76%
TOTAL REVENUES	<u>1,123,549</u>	<u>942,080</u>	19.26%
<u>Program Expenses:</u>			
Water and Sewer	871,884	707,140	23.30%
General	29,935	37,887	-20.99%
TOTAL EXPENSES	<u>901,819</u>	<u>745,027</u>	21.05%
Increase / (Decrease) in Net Position	<u>\$ 221,730</u>	<u>\$ 197,053</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 \$50,173.

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

	Total Cost of Services		Net Revenue (Cost) from Services	
	2022	2021	2022	2021
Water and Sewer	\$ 859,935	\$ 736,443	\$ (174,253)	\$ 98,534
TOTAL	<u>\$ 889,970</u>	<u>\$ 736,443</u>	<u>\$ (174,253)</u>	<u>\$ 98,534</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, 2022, the District had invested \$3,679,899 in a broad range of capital assets, including land and the water and sewer systems. During the year the District invested in more park improvements, a sewer pump, a park mower, and other equipment. Additionally, the District continued construction in progress on parks, water & sewer projects.

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
	2022	2021	2022-2021
Land	\$ 218,731	\$ 218,731	0.00%
Parks	595,627	467,290	27.46%
Park Equipment	9,159		
Building	114,464	114,464	0.00%
Water System	3,588,017	3,582,697	0.15%
Sewer System	1,693,689	1,645,107	2.95%
Construction in Progress	665,320	473,504	40.51%
Equipment	246,709	277,462	-11.08%
Amortized Asset	74,946	74,946	100.00%
Totals at Historical Cost	7,206,662	6,854,201	5.14%
Total Accumulated Depreciation/Amortization	(3,526,763)	(3,351,138)	5.24%
NET CAPITAL ASSETS	\$ 3,679,899	\$ 3,503,063	5.05%

Table 5
Long-Term Debt

	Business-Type Activities		Change
	2022	2021	2022-2021
Net Pension Liability	\$ 134,604	\$ 240,252	-43.97%
2012 USDA Loan	417,147	425,967	-2.07%
Total Debt Payable	\$ 551,751	\$ 666,219	-17.18%

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, 2022

	Governmental Activities <u>General Fund</u>	Business-Type Activities <u>Water and Sewer Activities</u>	<u>Total</u>
ASSETS			
Current Assets:			
Cash on Hand and in Banks	\$ (1,764,867)	\$ 2,145,461	\$ 380,594
Accounts Receivable-Customers	24,038	105,383	129,421
Due from Other Funds	1,849,285	-	1,849,285
Inventory	-	66,700	66,700
Total Current Assets	<u>108,456</u>	<u>2,317,544</u>	<u>2,426,000</u>
Non-Current Assets			
Property, Plant & Equipment, Net	<u>810,619</u>	<u>2,869,280</u>	<u>3,679,899</u>
Total Non-Current Assets	<u>810,619</u>	<u>2,869,280</u>	<u>3,679,899</u>
Total Assets	<u>\$ 919,075</u>	<u>\$ 5,186,824</u>	<u>\$ 6,105,899</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Recognition Contributions to Pension Plan	<u>\$ -</u>	<u>\$ 73,652</u>	<u>\$ 73,652</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	\$ 2,320	\$ 11,207	\$ 13,527
Utility Deposits	-	4,981	4,981
Accrued Payroll and Related Liabilities	(823)	823	-
Due to Other Funds	29,298	1,797,984	1,827,282
Current Portion of Long Term Debt	-	9,062	9,062
Total Current Liabilities	<u>30,795</u>	<u>1,824,057</u>	<u>1,854,852</u>
Long Term Liabilities:			
Net Pension Liability	-	134,604	134,604
Non-Current Portion of Long Term Debt	<u>-</u>	<u>408,085</u>	<u>408,085</u>
Total Long Term Liabilities	<u>-</u>	<u>542,689</u>	<u>542,689</u>
Total Liabilities	<u>\$ 30,795</u>	<u>\$ 2,366,746</u>	<u>\$ 2,397,541</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Recognition of Pension Plan Earnings	<u>\$ -</u>	<u>\$ 130,978</u>	<u>\$ 130,978</u>
NET POSITION			
Net Investment in Capital Assets	\$ 810,619	\$ 2,452,133	\$ 3,262,752
Restricted for Debt Service	-	20,770	20,770
Restricted for Short Lived Assets	-	80,000	80,000
Unrestricted	<u>77,661</u>	<u>209,849</u>	<u>287,510</u>
Total Net Position	<u>\$ 888,280</u>	<u>\$ 2,762,752</u>	<u>\$ 3,651,032</u>

The accompanying notes are an integral part of this statement.

FALL RIVER VALLEY COMMUNITY SERVICES DISTRICT
STATEMENT OF ACTIVITIES
JUNE 30, 2022

	Expenses	Charges For Services	Program Revenue	Capital Grants and Contributions	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
Governmental Activities							
General Fund	\$ 29,935	\$ -	\$ -	253,310	\$ 223,375	\$ -	\$ 223,375
Business - Type Activities							
Water Utility	642,266	507,371	-	-	-	(134,895)	(134,895)
Sewer Utility	217,669	178,311	-	-	-	(39,358)	(39,358)
Total Business - Type Activities	859,935	685,682	-	-	-	(174,253)	(174,253)
Total Primary Government Activities	\$ 889,870	\$ 685,682	\$ -	253,310	223,375	(174,253)	49,122
General Revenues:							
Property Taxes					28,467	21,706	50,173
Other Local Income					3,500	130,884	134,384
Total General Revenue					31,967	152,590	184,557
General Expenses:							
Interest Expense						(11,949)	(11,949)
Total General Expenses						(11,949)	(11,949)
Change in Net Position					255,342	(33,612)	221,730
Net Position Beginning (As Restated - See Note 10)					632,938	2,796,364	3,429,302
Net Position Ending					\$ 888,280	\$ 2,762,752	\$ 3,651,032

The accompanying notes are an integral part of this statement.

**FALL RIVER VALLEY COMMUNITY SERVICES DISTRICT
GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2022**

	General Fund
ASSETS	
Accounts Receivable	\$ 24,038
Due from Other Funds	1,849,285
TOTAL ASSETS	\$ 1,873,323
 LIABILITIES AND FUND BALANCE	
Liabilities:	
Cash Overdraft	\$ 1,764,867
Accounts Payable	2,320
Accrued Payroll and Related Liabilities	(823)
Due to Other Funds	29,298
Total Liabilities	1,795,662
Fund Balance:	
Unrestricted	77,661
TOTAL LIABILITIES AND FUND BALANCE	\$ 1,873,323

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, 2022**

Total Fund Balances- Governmental Funds	\$ 77,661
Reconciling Items:	
Capital Assets are not recorded in the Governmental Funds	<u>810,619</u>
Total Net Position - Governmental Activities	<u><u>\$ 888,280</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, 2022**

	<u>General Fund</u>
REVENUES	
Capital Grants	\$ 253,310
Property Taxes	28,467
Miscellaneous	3,500
Total Revenues	<u>285,277</u>
EXPENDITURES	
Salaries and Benefits	10,148
Other Expense	6,660
Capital Outlay	162,521
Total Expenditures	<u>179,329</u>
Excess of Revenue over (under) Expenditures	105,948
Fund Balance - July 1	<u>(15,460)</u>
Fund Balance - June 30	<u>\$ 90,488</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, 2022

	Business-Type Activities		
	Water Fund	Sewer Fund	Total
ASSETS			
Current Assets:			
Cash on Hand and in Banks	\$ 1,717,202	\$ 428,259	\$ 2,145,461
Accounts Receivable-Customers	79,009	26,374	105,383
Inventory	38,000	28,700	66,700
Total Current Assets	<u>1,834,211</u>	<u>483,333</u>	<u>2,317,544</u>
Capital Assets:			
Property, Plant & Equipment, Net	1,948,136	921,144	2,869,280
Total Assets	<u>\$ 3,782,347</u>	<u>\$ 1,404,477</u>	<u>\$ 5,186,824</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Pension Plan Contributions	<u>\$ 58,922</u>	<u>\$ 14,730</u>	<u>\$ 73,652</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	\$ 544	\$ 10,663	\$ 11,207
Utility Deposits	4,381	600	4,981
Payroll Related Liabilities	943	(120)	823
Due to Other Funds	1,472,461	325,523	1,797,984
Current Portion of Long Term Debt	9,062	-	9,062
Total Current Liabilities	<u>1,487,391</u>	<u>336,666</u>	<u>1,824,057</u>
Long Term Liabilities:			
Net Pension Liability	107,683	26,921	134,604
Non-Current Portion of Long Term Debt	408,085	-	408,085
Total Long Term Liabilities	<u>515,768</u>	<u>26,921</u>	<u>542,689</u>
Total Liabilities	<u>\$ 2,003,159</u>	<u>\$ 363,587</u>	<u>\$ 2,366,746</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Pension Plan Earnings	<u>\$ 104,782</u>	<u>\$ 26,196</u>	<u>\$ 130,978</u>
NET POSITION			
Net Investment in Capital Assets	\$ 1,530,989	\$ 921,144	\$ 2,452,133
Restricted for Debt Service	20,770		20,770
Restricted for Short Lived Assets	80,000	-	80,000
Unrestricted	101,569	108,280	209,849
Total Net Position	<u>\$ 1,733,328</u>	<u>\$ 1,029,424</u>	<u>\$ 2,762,752</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, 2022

	Business-Type Activities		
	Water Fund	Sewer Fund	Total
Operating Revenues:			
Utility Revenue	\$ 507,371	\$ 178,311	\$ 685,682
Total Operating Revenue	<u>507,371</u>	<u>178,311</u>	<u>685,682</u>
Operating Expenses:			
Salaries and Benefits	404,831	104,888	509,719
Insurance	16,199	5,379	21,578
Legal, Accounting and Professional Services	17,067	5,364	22,431
Permits and Fees	2,962	7,260	10,222
Depreciation & Amortization	85,541	57,871	143,412
Travel and Training	2,167	722	2,889
Repairs and Maintenance	7,851	5,106	12,957
Office	10,549	4,418	14,967
Utilities	49,843	12,338	62,181
Capital Outlay	4,319		4,319
Other Expenses	40,937	14,323	55,260
Total Operating Expenses	<u>642,266</u>	<u>217,669</u>	<u>859,935</u>
Operating Income (Loss)	(134,895)	(39,358)	(174,253)
Non-Operating Revenues and Expenses:			
Property Taxes	-	21,706	21,706
Other Local Income (Expense)	128,241	2,643	130,884
Interest Expense	(11,949)	-	(11,949)
Total Non-Operating Revenues and Expenses	<u>116,292</u>	<u>24,349</u>	<u>140,641</u>
Change in Net Position	(18,603)	(15,009)	(33,612)
Beginning Net Position (as Restated-See Note 10)	1,751,931	1,044,433	2,796,364
Ending Net Position	<u>\$ 1,733,328</u>	<u>\$ 1,029,424</u>	<u>\$ 2,762,752</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, 2022**

	Business-Type Activities		
	Water Fund	Sewer Fund	Total
Cash Flows from (used by) Operating Activities:			
Cash Received from Customers	\$ 500,277	\$ 175,305	\$ 675,582
Cash Payments to Employees	(344,437)	(84,069)	(428,506.00)
Cash Payments to Suppliers	(173,365)	(46,253)	(219,618)
Net Cash Provided (Used) by Operating Activities	<u>(17,525)</u>	<u>44,983</u>	<u>27,458</u>
Cash Flows from Non-Capital Financing Activities:			
Property Taxes and Other Income	128,241	24,349	152,590
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>128,241</u>	<u>24,349</u>	<u>152,590</u>
Cash Flows from Capital and Related Financing Activities:			
Purchases of Fixed Assets	(62,029)	(117,010)	(179,039)
Interfund Financing	330,732	76,560	407,292
Principal Payments on Long-term Debt	(17,640)	-	(17,640)
Interest Payments on Long-term Debt	(11,949)	(375)	(12,324)
Net Cash Provided (Used) by Capital Financing Activities	<u>239,114</u>	<u>(40,825)</u>	<u>198,289</u>
Net Increase (Decrease) in Cash and Cash Equivalents	349,830	28,507	378,337
Cash and Cash Equivalents:			
Balance - July 1	\$ 1,367,372	399,752	1,767,124
Balance - June 30	<u>\$ 1,717,202</u>	<u>\$ 428,259</u>	<u>\$ 2,145,461</u>
Reconciliation:			
Operating Income (Loss)	\$ (134,895)	\$ (39,358)	\$ (174,253)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Depreciation and Amortization	85,541	57,871	143,412
(Increase)/Decrease in Accounts Receivable	(5,825)	(3,156)	(8,981)
(Increase)/Decrease in Inventory	(5,000)	(1,700)	-
Increase/(Decrease) in Accounts Payable and Accrued Liabilities	(16,471)	10,357	(6,114)
Increase (Decrease) in Utility Deposits	(1,269)	150	-
Increase/(Decrease) in Net Pension Liability/Inflows and Outflows	<u>60,394</u>	<u>20,819</u>	<u>81,213</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (17,525)</u>	<u>\$ 44,983</u>	<u>\$ 35,277</u>

The accompanying notes are an integral part of this statement.

**FALL RIVER VALLEY COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

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, until present.

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, 2022

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 2021-22 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, 2022

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. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which

FALL RIVER VALLEY COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

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 normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. A capitalization threshold of \$3,000 is used by the District.

**FALL RIVER VALLEY COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

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

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

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

d. Property Tax

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

e. Receivable and Payable Balances

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

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

f. Deferred Outflows/Inflows of Resources

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

**FALL RIVER VALLEY COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

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.

i. 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.

**FALL RIVER VALLEY COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

k. Subsequent Event Evaluation

Management has evaluated subsequent events through February 24, 2023, 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, 2022

NOTE 3 – PROPERTY, PLANT AND EQUIPMENT

A summary of changes in fixed assets follows:

	Restated Balance 6/30/2021	Additions	Dispositions	Balance 6/30/2022
Land	\$ 218,731	\$ -	\$ -	\$ 218,731
Parks	467,290	128,337		595,627
Park Equipment	-	9,159	-	9,159
Building	114,464	-	-	114,464
Water System	3,582,697	5,320	-	3,588,017
Sewer System	1,645,107	48,582	-	1,693,689
Equipment	277,462	5,770	36,523	246,709
Intangible Assets	74,946	-	-	74,946
Construction in Progress	473,504	191,816	-	665,320
	<u>6,854,201</u>	<u>388,984</u>	<u>36,523</u>	<u>7,206,662</u>
Accumulated Amortization	(49,277)	(7,495)		(56,772)
Accumulated Depreciation	<u>(3,301,861)</u>	<u>(149,045)</u>	<u>35,677</u>	<u>(3,469,991)</u>
	<u>(3,351,138)</u>	<u>(156,540)</u>	<u>35,677</u>	<u>(3,526,763)</u>
Property, Plant and Equipment, Net	<u>\$ 3,503,063</u>	<u>\$ 232,444</u>	<u>\$ 72,200</u>	<u>\$ 3,679,899</u>

**FALL RIVER VALLEY COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 4 – NOTES AND BONDS PAYABLE

Long Term Debt is summarized as follows:

	Balance 6/30/2021	Increases	Decreases	Balance 6/30/2022
2.75% 2012 USDA Loan. \$500,000 Original Issue. Repayment Schedule will be established upon completion of project.	\$ 434,787	\$ -	\$ 8,820	\$ 425,967
4.875% 2016 Plumas Bank Loan. \$60,505. Sixty monthly payments of \$1,138.34 beginning 7/10/16	-	-	-	-
Total Debt Payable	\$ 434,787	\$ -	\$ 8,820	425,967
Less Current Portion				(9,062)
Long Term Portion of Debt Payable				\$ 416,905

Debt service requirements on long-term debt at June 30, 2022 are as follows:

Year Ending June 30,	Principal	Interest	Total
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	\$ 425,967	\$ 209,009	\$ 634,976

**FALL RIVER VALLEY COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 5 – EXCESS OF EXPENSES OVER APPROPRIATIONS

As of June 30, 2022 expenses exceeded appropriations as follows:

<u>Appropriations Category</u>	Water Fund	Sewer Fund
Salaries and Benefits	\$ 75,402	\$ -
Insurance	\$ 5,699	\$ 1,779
Permits and Fees	\$ -	\$ 460
Depreciation	\$ 85,541	\$ 57,871
Travel and Training	\$ -	\$ 122
Repairs and Maintenance	\$ -	\$ 864
Office	\$ 3,163	\$ 1,439
Capital Outlay	\$ 4,319	\$ -
Other Expenses	\$ 8,949	\$ 3,408

The District did not budget for depreciation or capital outlay. Additionally, the District incurred unanticipated expenses for insurance, travel and training, 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, 2022

The District's attorney estimates that the amount of actual or potential claims against the District as of June 30, 2022 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 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/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, 2021 the active employee contribution rate was 6.25% of annual pay. Contributions to the pension plan from the District was \$45,864, for the year ended June 30, 2022.

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

At June 30, 2022, the District reported a net pension liability of \$134,604 for its proportionate share of the total net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021. 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, 2021.

Based upon this information, the District's proportion was .00709%.

At June 30, 2022, 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, 2022**

	Deferred Outflows of Resources	Deferred Inflow of Resources
Change in Assumptions	\$ -	\$ -
Difference between Expected and Actual Experience	15,094	
Difference Between Projected and Actual Investment Earnings		117,502
Difference Between Employer's Contributions and Proportionate Share of Contributions	12,694	-
Change in Employer's Proportion		13,476
Contributions Subsequent to the Measurement Date	45,864	
Total	\$ 73,652	\$ 130,978

\$45,864 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	\$ (20,605)
2023	(23,455)
2024	(26,658)
2025	(32,471)
2026	-
Total	\$ (103,189)

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2020, 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, 2022**

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.

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1-10¹</u>	<u>Real Return years 11 +²</u>
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)

¹An expected inflation of 2.5% used for this period

²An 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, 2022**

	Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
Plan's Net Pension Liability/(Asset)	\$ 253,748	\$ 134,604	\$ 36,108

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 February 23, 2023, the date that the financial statements were available to be issued.

NOTE 10 – RESTATEMENT OF PRIOR YEAR NET ASSETS

	Proprietary Funds	Total
Net Assets as reported in the June 30, 2021 Audit	\$ 2,867,044	\$ 3,499,982
Adjustment to reflect proper balances in property, plant and equipment and accumulated depreciation accounts	(70,680)	(70,680)
Net Assets at June 30, 2021, as restated	\$ 2,796,364	\$ 3,429,302

**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)	0.0032240%	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>	<u>June 30, 2022</u>				
	0.005690%	0.007090%				
Districts Proportionate Share of the Net Pension Liability/(Asset)	\$ 240,152	\$ 134,604				
District's Covered-Employee Payroll	\$ 156,453	\$ 215,151				
District's Proportionate Share of the net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	153.50%	62.56%				
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's total Pension Liability	75.20%	71.84%				
Plan's Proportionate Share of Aggregate Employer Contributions	\$ 40,586	\$ 45,864				

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	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year
	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	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)	\$ (9,685)	\$ (6,107)	\$ 190	\$ -	\$ -	\$ -	\$ -
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%
Actuarially Determined Contribution	Fiscal Year 2021-22						
	\$ 29,387						
Contributions in Relation to the Actuarially Determined Contribution	(29,387)						
Contribution Deficiency (Excess)	\$ -						
Covered Employee Payroll	\$ 215,151						
Contributions as a Percentage of Covered-Employee Payroll	13.66%						

**FALL RIVER VALLEY COMMUNITY SERVICES DISTRICT
STATEMENT OF OPERATIONS- PROPRIETARY FUNDS - BUDGET AND ACTUAL
WATER UTILITY FUND
FOR THE YEAR ENDED JUNE 30, 2022**

	Budget Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		(Unfavorable)
Operating Revenues:				
Utility Revenue	\$ 520,786	\$ 520,786	\$ 507,371	\$ (13,415)
Total Operating Revenue	<u>520,786</u>	<u>520,786</u>	<u>507,371</u>	<u>(13,415)</u>
Operating Expenses:				
Salaries and Benefits	329,429	329,429	404,831	(75,402)
Insurance	10,500	10,500	16,199	(5,699)
Legal, Accounting and Professional Service	33,024	33,024	17,067	15,957
Permits and Fees	3,200	3,200	2,962	238
Depreciation	-	-	85,541	(85,541)
Travel and Training	2,400	2,400	2,167	233
Repairs and Maintenance	22,350	22,350	7,851	14,499
Office	7,386	7,386	10,549	(3,163)
Utilities	59,093	59,093	49,843	9,250
Capital Outlay	-	-	4,319	(4,319)
Other Expenses	31,988	31,988	40,937	(8,949)
Total Operating Expenses	<u>499,370</u>	<u>499,370</u>	<u>642,266</u>	<u>(142,896)</u>
Operating Income (Loss)	<u>21,416</u>	<u>21,416</u>	<u>(134,895)</u>	<u>(156,311)</u>
Non-Operating Revenue (Expense):				
Other Local Income	-	-	128,241	128,241
Interest Expense	(12,800)	(12,800)	(11,949)	851
Total Non-Operating Revenues (Expense)	<u>(12,800)</u>	<u>(12,800)</u>	<u>116,292</u>	<u>129,092</u>
Net Income (Loss)	<u>\$ 8,616</u>	<u>\$ 8,616</u>	<u>\$ (18,603)</u>	<u>\$ (27,219)</u>

**FALL RIVER VALLEY COMMUNITY SERVICES DISTRICT
STATEMENT OF OPERATIONS - PROPRIETARY FUNDS - BUDGET AND ACTUAL
SEWER UTILITY FUND
FOR THE YEAR ENDED JUNE 30, 2022**

	Budget Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Operating Revenues:				
Utility Revenue	\$ 177,851	\$ 177,851	\$ 178,311	\$ 460
Total Operating Revenue	<u>177,851</u>	<u>177,851</u>	<u>178,311</u>	<u>460</u>
Operating Expenses:				
Salaries and Benefits	116,257	116,257	104,888	11,369
Insurance	3,600	3,600	5,379	(1,779)
Legal, Accounting and Professional Services	22,224	22,224	5,364	16,860
Permits and Fees	6,800	6,800	7,260	(460)
Depreciation	-	-	57,871	(57,871)
Travel and Training	600	600	722	(122)
Repairs and Maintenance	20,250	20,250	5,106	15,144
Office	2,979	2,979	4,418	(1,439)
Utilities	13,810	13,810	12,338	1,472
Other Expenses	10,915	10,915	14,323	(3,408)
Total Operating Expenses	<u>197,435</u>	<u>197,435</u>	<u>217,669</u>	<u>(20,234)</u>
Operating Income (Loss)	<u>(19,584)</u>	<u>(19,584)</u>	<u>(39,358)</u>	<u>(19,774)</u>
Non-Operating Revenue (Expense):				
Property Taxes	19,600	19,600	21,706	2,106
Other Local Income	-	-	2,643	2,643
Total Non-Operating Revenues (Expenses)	<u>19,600</u>	<u>19,600</u>	<u>24,349</u>	<u>4,749</u>
Net Income (Loss)	<u>\$ 16</u>	<u>\$ 16</u>	<u>\$ (15,009)</u>	<u>\$ (15,025)</u>

**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 Comptroller 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, 2022 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 May 15, 2023.

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 *2022-001 and 2022-002* to be material weaknesses.

Susanville:

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

- 34 -

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,



SingletonAuman, PC

Susanville, CA

May 15, 2023

**FALL RIVER VALLEY COMMUNITY SERVICES DISTRICT
COMBINED SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2022**

EXECUTIVE SUMMARY

The District provides water and sewer services to residential and commercial customers within the boundaries of the District. The District also manages a local park, and park improvements.

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, 2022**

Finding 2022-001 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, due to a lack of personnel.

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 complexity of managing multiple construction projects exacerbates the effect of not having more personnel.

Recommendation

We recommend that the District employees and Board examine all activities of the District carefully to help decrease the risks noted above. 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 payment, and mailing checks.
- 2) 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).
- 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) We recommend that the District hire additional personnel to ensure that grant accounting and reporting for the many projects, as well as the District's ongoing accounting, payroll and billing continues to be completed timely and accurately.

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, 2022**

Finding 2022-002 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, 2022**

Finding 2021-1

An inadequate segregation of duties exists.

Status

Partially implemented. See current year Material Weakness 2022-001.

Finding 2021-2

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 2022-002.

Finding 2021-2

Purchasing Policy

Status

Implemented

**FALL RIVER VALLEY COMMUNITY SERVICES DISTRICT
CORRECTIVE ACTION PLAN
JUNE 30, 2022**

Person Monitoring Corrective Action Plan
General Manager, Cecil Ray

Finding 2022-001 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 2022-002 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.

Expected Completion Date

Ongoing.