

**AMERICAN VALLEY
COMMUNITY SERVICES DISTRICT**

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

AS OF AND FOR THE YEAR ENDED JUNE 30, 2023

AMERICAN VALLEY COMMUNITY SERVICES DISTRICT
Audited Financial Statements
June 30, 2023

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
American Valley Community Services District
Quincy, California

Opinions

We have audited the accompanying financial statements of the business-type activities, the major fund, and the aggregate remaining fund information of the American Valley Community Services District (District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the 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 business-type activities, the major fund, and the aggregate remaining fund information of the American Valley Community Services District, as of June 30, 2023, 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.

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 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 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.

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 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 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, the schedule of proportionate share of the net pension liability, and the schedule of pension contributions be presented to supplement the basic financial statements. Such information, although not a basic part of the 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 operation, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Statement of Operations-Budget and Actual Water Fund, and the Statement of Operations-Budget and Actual Wastewater Fund but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 4, 2024 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Singleton Auman, PC". The signature is fluid and cursive, with the initials "PC" written in a larger, more distinct font to the right of the main signature.

Singleton Auman, PC

Susanville, California

May 4, 2024

AMERICAN VALLEY COMMUNITY SERVICES DISTRICT
Management's Discussion and Analysis (MD&A)
June 30, 2023

INTRODUCTION

American Valley Community Services District's present operations include providing water and wastewater services to residents of the District. The District also awards and administers the solid waste collection franchise within the west side of the District.

Our discussion and analysis of American Valley Community Services District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2023. 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 \$43,316,780 at June 30, 2023. This was an increase of \$6,804,128 from the prior year.
- Overall revenues were \$10,121,726 which were more than expenses of \$3,317,598.

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 net position, a statement of activities, a statement of revenue, expenses, and changes in net position, and a statement of cash flows.

The statement of net position shows the District's financial status as of the end of its fiscal year, June 30, 2023. The statement of revenues, expenses, and changes in net position shows the changes in the District's net position during the fiscal year ended June 30, 2023. The statement of cash flows shows the changes in cash during the fiscal year ended June 30, 2023.

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

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

The district's combined net position was \$43,316,780 at June 30, 2023 See Table 1. Restricted cash decreased due to spending on the Wastewater Treatment Plant construction. Cash increased due to receipt of grants offset by reduction of construction accounts payable. Grants receivable increased due to the construction of the waste water treatment plant.

**Table 1:
Net Position**

	Business-Type Activities		Total Percentage
	2023	2022	Change 2023-2022
Assets:			
Cash and Investments	\$ 10,915,226	\$ 10,230,154	6.28%
Restricted Cash	535,232	2,791,856	-421.62%
Accounts Receivable	458,658	386,834	15.66%
Grants Receivable	653,215	10,130	98.45%
Inventory	196,254	60,812	69.01%
Prepaid expenses	32,117	30,076	6.35%
Capital Assets, Net of Accumulated Depreciation	57,928,530	52,235,558	9.83%
TOTAL ASSETS	\$ 70,719,232	\$ 65,745,420	
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Recognition of Contributions	\$ 879,373	\$ 451,344	48.67%
Liabilities:			
Accounts Payable & Accrued Expenses	\$ 714,192	\$ 2,389,179	-234.53%
Current Portion of Long-Term Debt	132,300	128,600	2.80%
Net Pension Liability	1,352,513	515,254	61.90%
Net OPEB Obligation	719,721	1,006,069	-39.79%
Non-Current Portion of Long-Term Debt	24,584,123	24,716,723	-0.54%
TOTAL LIABILITIES	\$ 27,502,849	\$ 28,755,825	
DEFERRED INFLOWS OF RESOURCES			
Deferred Recognition of Earnings	\$ 778,980	\$ 928,287	-19.17%
Net Position			
Net Investment in Capital Assets	\$ 33,212,107	\$ 27,390,235	21.26%
Restricted for Debt Service	125,306	100,041	25.25%
Restricted for Construction	409,926	3,310,892	100.00%
Unrestricted	9,569,441	5,711,484	67.55%
TOTAL NET POSITION	\$ 43,316,780	\$ 36,512,652	

**Table 1A:
Net Position Multiyear Trend**

	Business-Type Activities			
	2023	2022	2021	2020
Assets:				
Cash and Investments	\$ 11,450,458	\$ 13,022,010	\$ 23,858,370	\$ 7,304,468
Accounts Receivable	458,658	386,834	359,217	413,797
Grants Receivable	653,215	10,130	7,003,732	
Inventory	196,254	60,812	51,142	49,536
Prepaid Expenses	32,117	30,076	27,481	26,422
Capital Assets, Net of Accumulated Depreciation	<u>57,928,530</u>	<u>52,235,558</u>	<u>34,982,031</u>	<u>21,121,471</u>
TOTAL ASSETS	<u>\$ 70,719,232</u>	<u>\$ 65,745,420</u>	<u>\$ 66,281,973</u>	<u>\$ 28,915,694</u>
Deferred Outflows of Resources				
Deferred Recognition of Contributions to Pension Plan	<u>\$ 879,373</u>	<u>\$ 451,344</u>	<u>\$ 484,191</u>	<u>\$ 247,577</u>
Current Liabilities:				
Accounts Payable and Accrued Expenses	\$ 714,192	\$ 2,389,179	\$ 4,365,501	\$ 225,388
Current Portion of Long Term Debt	132,300	128,600	113,100	109,800
Net Pension Liability	1,352,513	515,254	1,082,013	985,760
Net OPEB Obligation	719,721	1,006,069	1,289,232	990,840
Non-Current Portion of Long-Term Debt	<u>24,584,123</u>	<u>24,716,723</u>	<u>24,845,323</u>	<u>4,088,681</u>
TOTAL LIABILITIES	<u>\$ 27,502,849</u>	<u>\$ 28,755,825</u>	<u>\$ 31,695,169</u>	<u>\$ 6,400,469</u>
Deferred Inflows of Resources				
Deferred Recognition of Pension Plan Earnings	<u>\$ 778,980</u>	<u>\$ 928,287</u>	<u>\$ 157,896</u>	<u>\$ 78,502</u>
Net Position:				
Net Investment in Capital Assets	\$ 33,212,107	\$ 27,390,235	\$ 10,023,608	\$ 16,813,190
Restricted for Debt Service	125,306	100,041	15,594,161	87,803
Restricted for Waste Water Treatment/Construction	409,926	3,310,892		
Unrestricted	<u>9,569,441</u>	<u>5,711,484</u>	<u>9,295,330</u>	<u>5,783,307</u>
TOTAL NET POSITION	<u>\$ 43,316,780</u>	<u>\$ 36,512,652</u>	<u>\$ 34,913,099</u>	<u>\$ 22,684,300</u>

Changes in Net Assets

Operating revenues from user service charges normally make-up the majority of total revenues. User fees were 33.5% of total revenues for the 2022-23 fiscal year, and decreased by \$143,235. Capital Grants mostly consisted of State Water Resource Control Board funding for the Wastewater Treatment Plant. Normal operating expenses for waste water actually decreased in the 2022-23 fiscal year.

**Table 2:
Changes in Net Assets**

	Business-Type Activities		Total Percentage
	2023	2022	Change 2023-2022
<u>Program Revenues:</u>			
Charges for Services	\$ 3,395,081	\$ 3,538,316	-4.05%
Capital Grants	5,902,332	192,259	2969.99%
<u>General Revenues:</u>			
Property Taxes	164,516	264,530	-37.81%
Interest Income	171,660	25,594	570.70%
System Facility Fees	95,058	132,707	-28.37%
Wastewater Treatment Capital	382,053	373,855	2.19%
Other Income	11,026	61,897	-82.19%
TOTAL REVENUES	10,121,726	4,589,158	120.56%
<u>Program Expenses:</u>			
Water	1,264,792	1,475,886	-14.30%
Wastewater	2,052,806	1,513,719	35.61%
TOTAL EXPENSES	3,317,598	2,989,605	10.97%
Increase / (Decrease) in Net Position	\$ 6,804,128	\$ 1,599,553	

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 \$164,516.

**Table 3
Net Cost of Business-Type Activities**

	Total Cost of Services		Net Cost of Services	
	2023	2022	2023	2022
Water	\$ 1,264,792	\$ 1,475,886	\$ 10,639	\$ (194,208)
Wastewater	2,052,806	1,513,719	5,969,176	935,178
TOTAL	\$ 3,317,598	\$ 2,989,605	\$ 5,979,815	\$ 740,970

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

Over the course of the year, the District revises 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, 2023, the District had invested \$57,928,530 in a broad range of capital assets, including land and the water and wastewater systems. During the year the District continued construction of the new Wastewater Treatment Plant, and made other investments in the Water and Wastewater systems.

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

	Business-Type Activities		Total Percentage
	2023	2022	Change 2022-2023
Land and Easements	\$ 784,641	\$ 784,641	0.00%
Water System	14,772,465	14,465,591	2.12%
Wastewater System	68,311,432	61,998,043	10.18%
Totals at Historical Cost	83,868,538	77,248,275	
Total Accumulated Depreciation	(25,940,008)	(25,012,717)	3.71%
NET CAPITAL ASSETS	\$ 57,928,530	\$ 52,235,558	

During the 2023/24 fiscal year, the District plans to complete the \$43 million new Wastewater treatment plant.

Long Term Debt

During 2020-21 the District obtained a USDA Bond Anticipation Note to assist financing of the Wastewater Treatment Plant.

Table 5
Long-Term Debt, including Current Maturities

	Business-Type Activities		Change
	2023	2022	2022-2023
Other Post - Employment Benefits	\$ 719,721	\$ 1,006,069	-28.46%
USDA Note Payable	2,573,000	2,633,000	-2.28%
Net Pension Liability	1,352,513	515,254	162.49%
USDA Bond Anticipation Note	20,568,000	20,568,000	0.00%
USDA Bond Anticipation Note - Unamortized Premium	301,442	301,742	-0.10%
1996 USDA Improvement Bonds	<u>1,273,981</u>	<u>1,342,581</u>	-5.11%
Total Long Term Debt	<u>\$ 26,788,657</u>	<u>\$ 26,366,646</u>	

FUTURE ECONOMIC FACTORS AND TRENDS

Management expects the ongoing operation of the District to be effected by the following trends:

- The increasing costs of system utilities as a result of inflation.
- Increasing costs of salaries and employee benefits.
- California regulatory environment can have a disproportionate effect on small rural districts.

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:

Quincy Community Services District
Katie Nunn
General Manager
900 Spanish Creek Road
Quincy, CA 95971
(530) 283-0836

AMERICAN VALLEY COMMUNITY SERVICES DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2023

	Business-Type Activities
ASSETS	Water and Wastewater Activities
Current Assets:	
Cash on Hand and in Banks	\$ 3,746,501
Investments	7,168,725
Accounts Receivable	458,658
Grants Receivable	653,215
Inventory	196,254
Prepaid Expenses	32,117
Total Current Assets	12,255,470
Restricted and Non-Current Assets:	
Restricted Cash	535,232
Property, Plant & Equipment, Net	57,928,530
Total Restricted and Non-Current Assets	58,463,762
Total Assets	\$ 70,719,232
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred Recognition of Contributions to OPEB	\$ 184,812
Deferred Recognition of Contributions to Pension Plan	694,561
Total Deferred Outflows	\$ 879,373
 LIABILITIES	
Current Liabilities:	
Accounts Payable	\$ 573,698
Accrued Payroll and Related Liabilities	45,619
Accrued Interest	32,646
Unearned Revenue	62,229
Current Portion of Long Term Debt	132,300
Total Current Liabilities	846,492
Long Term Liabilities:	
Net Pension Liability	1,352,513
Net OPEB Obligation	719,721
Non-Current Portion of Long Term Debt	24,584,123
Total Long Term Liabilities	26,656,357
Total Liabilities	\$ 27,502,849
 DEFERRED INFLOWS OF RESOURCES	
Deferred Recognition of OPEB Earnings	\$ 637,341
Deferred Recognition of Pension Plan Earnings	141,639
Total Deferred Inflows	\$ 778,980
 NET POSITION	
Net Investment in Capital Assets	\$ 33,212,107
Restricted for Debt Service	125,306
Restricted for Wastewater Treatment Plant Construction	409,926
Unrestricted	9,569,441
Total Net Position	\$ 43,316,780

The accompanying notes are an integral part of this statement.

**AMERICAN VALLEY COMMUNITY SERVICES DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023**

		Program Revenue			
	Expenses	Charges For Services	Capital Grants and Contributions	-	Net (Expense) Revenue and Changes in Net Assets
<u>Business-type Activities</u>					
Water	\$ 1,264,792	\$ 1,275,431	\$ -	\$	10,639
Wastewater	2,052,806	2,119,650	5,902,332		5,969,176
Total Business-type Activities	\$ 3,317,598	\$ 3,395,081	\$ 5,902,332		5,979,815
 General Revenues:					
Property Taxes Levied for General Purpose					164,516
Wastewater Treatment Capital					382,053
Interest Earnings					171,660
System Facility Fees					95,058
Other Income					11,026
Total General Revenue					824,313
Change in Net Position					6,804,128
Net Position Beginning					36,512,652
Net Position Ending				\$	43,316,780

The accompanying notes are an integral part of this statement.

AMERICAN VALLEY COMMUNITY SERVICES DISTRICT
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2023

ASSETS	Business-type Activities		
	Water Fund	Wastewater Fund	Total
Current Assets:			
Cash on Hand and in Banks	\$ 454,116	\$ 3,292,385	\$ 3,746,501
Investments	4,240,201	2,928,524	7,168,725
Accounts Receivable	146,884	311,774	458,658
Grants Receivable	-	653,215	653,215
Inventory	183,989	12,265	196,254
Prepaid Expenses	13,248	18,869	32,117
Total Current Assets	5,038,438	7,217,032	12,255,470
Restricted and Non-Current Assets:			
Restricted Cash	-	535,232	535,232
Property, Plant & Equipment, Net	6,192,786	51,735,744	57,928,530
Total Restricted and Non-Current Assets	6,192,786	52,270,976	58,463,762
Total Assets	\$ 11,231,224	\$ 59,488,008	\$ 70,719,232
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Recognition of Contributions to OPEB	\$ 92,406	\$ 92,406	\$ 184,812
Deferred Recognition of Contributions to Pension Plan	417,438	277,123	694,561
Total Deferred Outflows	\$ 509,844	\$ 369,529	\$ 879,373
LIABILITIES			
Current Liabilities:			
Accounts Payable	\$ 19,271	\$ 554,427	\$ 573,698
Accrued Payroll and Related Liabilities	18,859	26,760	45,619
Unearned Revenue	-	62,229	62,229
Accrued Interest	-	32,646	32,646
Current Portion of Long Term Debt	-	132,300	132,300
Total Current Liabilities	38,130	808,362	846,492
Long Term Liabilities:			
Net Pension Liability	817,093	535,420	1,352,513
Net OPEB Obligation	359,860	359,861	719,721
Non-Current Portion of Long Term Debt	-	24,584,123	24,584,123
Total Long Term Liabilities	1,176,953	25,479,404	26,656,357
Total Liabilities	\$ 1,215,083	\$ 26,287,766	\$ 27,502,849
DEFERRED INFLOWS OF RESOURCES			
Deferred Recognition of OPEB	\$ 318,670	\$ 318,671	\$ 637,341
Deferred Recognition of Pension Plan Earnings	84,771	56,868	141,639
Total Deferred Inflows	\$ 403,441	\$ 375,539	\$ 778,980
NET POSITION			
Net Investment in Capital Assets	\$ 6,192,786	\$ 27,019,321	\$ 33,212,107
Restricted for Debt Service	-	125,306	125,306
Restricted for Wastewater Treatment Plant Construction	-	409,926	409,926
Unrestricted	3,929,761	5,639,680	9,569,441
Total Net Position	\$ 10,122,547	\$ 33,194,233	\$ 43,316,780

The accompanying notes are an integral part of this statement.

AMERICAN VALLEY COMMUNITY SERVICES DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	Business-type Activities		Total
	Water Fund	Wastewater Fund	
Operating Revenues:			
Utility Revenue	\$ 1,168,702	\$ 1,943,839	\$ 3,112,541
Other Operating Revenue	106,729	175,811	282,540
Total Operating Revenue	<u>1,275,431</u>	<u>2,119,650</u>	<u>3,395,081</u>
Operating Expenses:			
Salaries and Benefits	382,094	498,171	880,265
Insurance	33,193	40,670	73,863
Legal, Accounting and Professional Services	36,348	41,923	78,271
Utilities	148,991	285,674	434,665
Dues and Permits	14,229	4,781	19,010
Depreciation	385,995	542,387	928,382
Sewage Supplies, Monitoring and Disposal	-	226,800	226,800
Repairs and Maintenance	184,830	65,050	249,880
Office	37,927	36,878	74,805
Other Expenses	41,185	26,898	68,083
Total Operating Expenses	<u>1,264,792</u>	<u>1,769,232</u>	<u>3,034,024</u>
Net Operating Income (Loss)	<u>10,639</u>	<u>350,418</u>	<u>361,057</u>
Non-Operating Revenues (Expenses):			
Interest Income	71,055	100,605	171,660
Property Taxes	82,258	82,258	164,516
Wastewater Treatment Capital	-	382,053	382,053
Capital Grant Revenue	-	5,902,332	5,902,332
System Facility Fees	-	95,058	95,058
Other Income	11,026	-	11,026
Debt Issuance Cost	-	-	-
Interest Expense	-	(283,574)	(283,574)
Total Non-Operating Revenues (Expenses)	<u>164,339</u>	<u>6,278,732</u>	<u>6,443,071</u>
Change in Net Position	174,978	6,629,150	6,804,128
Net Position, Beginning	<u>9,947,569</u>	<u>26,565,083</u>	<u>36,512,652</u>
Net Position, Ending	<u>\$ 10,122,547</u>	<u>\$ 33,194,233</u>	<u>\$ 43,316,780</u>

The accompanying notes are an integral part of this statement.

**AMERICAN VALLEY COMMUNITY SERVICES DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2023**

	Business-Type Activities		Total
	Water Fund	Wastewater Fund	
Cash Flows from (used by) Operating Activities:			
Cash Received from Customers	\$ 1,235,130	\$ 2,088,127	\$ 3,323,257
Cash Payments to Employees	(398,877)	(503,774)	(902,651)
Cash Payments to Suppliers for Goods and Services	(621,050)	(2,407,501)	(3,028,551)
Net Cash Provided (Used) by Operating Activities	<u>215,203</u>	<u>(823,148)</u>	<u>(607,945)</u>
Cash Flows from Non-Capital Financing Activities:			
Property Taxes and Other Income	93,284	82,258	175,542
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>93,284</u>	<u>82,258</u>	<u>175,542</u>
Cash Flows from Capital and Related Financing Activities:			
Purchases of Fixed Assets	(308,262)	(6,313,093)	(6,621,355)
Wastewater Treatment Capital	-	382,053	382,053
Capital Grant Revenue	10,130	5,249,117	5,259,247
System Facility Fees	-	95,058	95,058
Repayment and Reclassification of Long-Term Debt	-	(132,600)	(132,600)
Net Cash Provided (Used) by Capital Financing Activities	<u>(298,132)</u>	<u>(719,465)</u>	<u>(1,017,597)</u>
Cash Flows from Investing Activities:			
Interest Received	71,055	100,605	171,660
Interest Paid	-	(293,212)	(293,212)
Net Cash Provided (Used) by Investing Activities	<u>71,055</u>	<u>(192,607)</u>	<u>(121,552)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	81,410	(1,652,962)	(1,571,552)
Cash and Cash Equivalents:			
Balance - July 1	4,612,910	8,409,100	13,022,010
Balance - June 30	<u>\$ 4,694,320</u>	<u>\$ 6,756,138</u>	<u>\$ 11,450,458</u>
Reconciliation:			
Operating Income (Loss)	\$ 10,639	\$ 350,418	\$ 361,057
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Depreciation	385,995	542,387	928,382
(Increase)/Decrease in Accounts Receivable	(40,299)	(31,524)	(71,823)
(Increase)/Decrease in Inventory	(135,298)	(144)	(135,442)
(Increase)/Decrease in Prepaid Expenses	(842)	(1,199)	(2,041)
(Increase)/Decrease in Deferred Outflows	(259,266)	(168,763)	(428,029)
Increase/(Decrease) in Accounts Payable	11,792	(1,677,484)	(1,665,692)
Increase/(Decrease) in Payroll Liabilities	1,859	2,180	4,039
Increase/(Decrease) in Net Pension Liability	503,328	333,931	837,259
Increase/(Decrease) in OPEB Liability	(143,175)	(143,173)	(286,348)
Increase/(Decrease) in Unearned Revenue	-	-	-
Increase/(Decrease) in Deferred Inflows	(119,530)	(29,777)	(149,307)
Net Cash Provided (Used) by Operating Activities	<u>\$ 215,203</u>	<u>\$ (823,148)</u>	<u>\$ (607,945)</u>

The accompanying notes are an integral part of this statement.

AMERICAN VALLEY COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The American 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 July 1, 2018 and comprises the activities of the former Quincy Community Services District and The East Quincy Community Services District.

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

1. Reporting Entity

The District's combined financial statements include the accounts of all its operations. The District evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the District's reporting entity, as set forth in GASB Statement No. 14 "The Financial Reporting Entity" and GASB Statement No. 39 "Determining Whether Certain Organizations Are Component Units," include whether:

- The organization is legally separate (can sue and be sued in its name)
- The District holds the corporate powers of the organization
- The District appoints a voting majority of the organization's board
- The District is able to impose its will on the organization
- The organization has the potential to impose a financial benefit/burden on the District
- There is fiscal dependency by the organization on the District
- The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government
- The primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization
- The economic resources received or held by an individual organization that the specific primary government is entitled to, or has the ability to otherwise access, are significant to that primary government

Based on these criteria, the District has no component units. Additionally, the District is not a component unit of any other reporting entity as defined by the GASB Statement.

AMERICAN VALLEY COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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.

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 system facility fees, property taxes, grant revenue, wastewater treatment capital and investment earnings, result from nonexchange transactions or ancillary activities.

The District reports the following major Enterprise Funds:

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

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

b. Measurement Focus, Basis of Accounting

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.

AMERICAN VALLEY COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

On an accrual basis, revenue from property taxes 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.

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.

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, investments in the Local Agency Investment Fund, and reserved cash to be cash equivalents.

Cash balances on hand and held in banks (\$4,281,733) as of June 30, 2023) are insured up to \$250,000 by the Federal Depository Insurance Corporation. At June 30, 2023 the District had accounts with balances in excess of \$250,000, and therefore, had risk of amounts not insured or collateralized.

The District is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et seq.

b. Fair Value Measurements and Investments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets and liabilities.

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities.

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying statement of

**AMERICAN VALLEY COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

financial position, as well as the general classification of such assets pursuant to the valuation hierarchy.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include various types of mutual funds. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

c. Capital Assets

Property, Plant and Equipment owned by the Enterprise Fund is 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 \$5,000 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>
Office Equipment	2-7
Vehicles, Meters and Maint. Equipment	5-20
Buildings	20-40
Utility Plant and Infrastructure	10-50

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 Plumas bills and collects the taxes for the District. The District recognizes tax revenues when received from 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.

AMERICAN VALLEY COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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

The District uses the direct write-off method for recording bad debts. This method is not in accordance with GAAP, but is considered to be immaterial.

f. Deferred Inflows and Deferred Outflows of Resources

In addition to assets, the Statement of Net 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.

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. Currently, 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 and sick leave benefits are recognized as liabilities of the District. The current portion of the liabilities is recognized in the Water Fund and Wastewater Fund at year end.

h. Budgetary Accounting

The District adopts its budget on the accrual basis of accounting. The budget was converted to accrual basis for financial reporting purposes.

i. Use of Estimates

The preparation of financial statements in conformity with Accounting Principles Generally Accepted in the United States of America requires the use of management's estimates. Actual results could differ from those estimates.

j. 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.

**AMERICAN VALLEY COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

Restricted Net Position consists of net assets with restrictions placed on the 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 assign balances for specific future uses.

Following are the components of the District's Net Position including assigned amounts:

Net Investment in Capital Assets	\$	33,212,107
Restricted for Capital Construction Acct. - Wastewater Treatment Plant		409,926
Restricted for Debt Service		125,306
Unrestricted Net Position		9,569,441
Total Net Position	\$	43,316,780

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

**AMERICAN VALLEY COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 3 – CASH AND INVESTMENTS

Cash and investments as of June 30, 2023 consists of the following:

Description	Water	Wastewater
Cash on Hand	\$ 75	\$ 75
Deposits with Financial Institutions	454,041	3,827,542
Local Agency Investment Fund	4,240,201	2,928,525
Total Cash & Investments	<u>\$ 4,694,317</u>	<u>\$ 6,756,142</u>

Investments consist of the Local Agency Investment Fund and are stated at fair value based on significant other observable inputs.

The fair value measurements of assets recognized in the accompanying statement of net position measured at fair value on a recurring basis and level 2 within the fair value hierarchy, are \$7,168,725.

The District has, in practice, limited deposits and investments to insured and/or Collateralized demand deposit accounts, the State Treasurer/s Local Agency Investment Fund (LAIF), and certificates of deposit. The District does not enter into reverse repurchase agreements.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The district does not hold direct investments, therefore, there is no concentration of credit risk.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits. The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows

AMERICAN VALLEY COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

The district's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts. The amount in excess of federal depository insurance limits was \$3,781,583 and the remaining amounts were collateralized as described above.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the district's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

Investment in State Investment Pool

The district is a voluntary participant in LAIF. LAIF is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the entity's investment in this pool is reported in the accompanying financial statements at amounts based upon the Entity's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

Investment Accounting Policy

The District's investments in external investment pools are reported at an amount determined by the fair value per share of the pools underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

**AMERICAN VALLEY COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 4 – PROPERTY, PLANT AND EQUIPMENT

A summary of changes in fixed assets follows:

	Balance 6/30/22	Additions	Dispositions	Balance 6/30/23
Land and Easements	\$ 784,641			\$ 784,641
Water System	14,465,591	306,874		14,772,465
Wastewater System	61,998,043	6,313,389		68,311,432
	<u>77,248,275</u>	<u>6,620,263</u>	-	<u>83,868,538</u>
Accumulated Depreciation	<u>(25,011,626)</u>	<u>(928,382)</u>		<u>(25,940,008)</u>
Property, Plant and Equipment, Net	<u>\$ 52,236,649</u>	<u>\$ 5,691,881</u>	<u>\$ -</u>	<u>\$ 57,928,530</u>

Depreciation was charged to activities as follows:

Water	\$ 385,995
Wastewater	<u>542,387</u>
Total	<u>\$ 928,382</u>

**AMERICAN VALLEY COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 5 – NOTES, CAPITAL LEASES AND BONDS PAYABLE

Long Term Debt is summarized as follows:

	<u>Balance 6/30/2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/2023</u>
1.5% USDA Bond Anticipation Note, \$20,568,000 plus Bond Premium in the amount of \$301,742. Original Issue Semi-annual payments of Interest Only	\$ 20,568,000			\$ 20,568,000
USDA Bond Anticipation Note- Unamortized Premium	301,442			301,442
2.75% USDA Note Payable, \$3,040,000 Original Issue. Semi- Annual Payments of Principal and Interest Through 2052.	2,633,000		60,000	2,573,000
5.125% Series 1996 USDA Improvements Bonds, \$2,400,000 Original Issue' Semi-Annual Payments of Principal and Interest	<u>1,342,581</u>		<u>68,600</u>	<u>1,273,981</u>
Total Debt Payable	<u>\$ 24,845,023</u>	<u>\$ -</u>	<u>\$ 128,600</u>	24,716,423
Less Current Portion				<u>132,300</u>
Long Term Portion of Debt Payable				<u>\$ 24,584,123</u>

**AMERICAN VALLEY COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

Debt Service requirements on the USDA Improvement Bonds as of June 30, 2023 are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	72,300	65,307	137,607
2025	76,100	61,602	137,702
2026	80,200	57,701	137,901
2027	83,500	53,591	137,091
2028	87,900	49,311	137,211
2029-2033	513,300	174,009	687,309
2034-2036	<u>360,681</u>	<u>36,866</u>	<u>397,547</u>
Totals	<u>\$ 1,273,981</u>	<u>\$ 498,387</u>	<u>\$ 1,772,368</u>

USDA Note Payable – The District borrowed \$3,040,000 from the USDA to improve the waste water system. Debt service requirements on the note at June 30, 2023 are as follows:

<u>Year Ending June 30.</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	60,000	69,933	129,933
2025	60,000	68,283	128,283
2026	60,000	66,633	126,633
2027	60,000	64,983	124,983
2028	60,000	63,333	123,333
2029-2033	348,000	289,272	637,272
2034-2038	385,000	239,209	624,209
2039-2043	444,000	182,215	626,215
2044-2048	515,000	116,284	631,284
2049-2053	<u>581,000</u>	<u>40,796</u>	<u>621,796</u>
Totals	<u>\$ 2,573,000</u>	<u>\$ 1,200,940</u>	<u>\$ 3,773,940</u>

USDA Bond Anticipation Note – The District borrowed \$20,568,000 to construct the new Wastewater Treatment Plant. The offering resulted in a \$301,442 premium which will be amortized over the term of the loan, once construction is complete. Debt service requirements on the note at June 30, 2023 are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	<u>\$ 20,568,000</u>	<u>\$ 154,260</u>	<u>\$ 20,722,260</u>
Totals	<u>\$ 20,568,000</u>	<u>\$ 154,260</u>	<u>\$ 20,722,260</u>

**AMERICAN VALLEY COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 6 – EXCESS OF EXPENSES OVER APPROPRIATIONS

Water Fund:	
Utilities	\$ 13,113
Depreciation	\$ 385,995
Repairs and Maintenance	\$ 92,130
Office	\$ 6,100
Wastewater Fund	
Utilities	\$ 122,636
Depreciation	\$ 542,387
Repairs and Maintenance	\$ 12,623
Office	\$ 4,454

Water Fund – Utilities and Office incurred small overruns. Tank maintenance contracts were reclassified as repairs and maintenance for the water system, rather than other expenses, as budgeted. The District does not budget for Depreciation.

Wastewater Fund – Office and Repairs & Maintenance incurred small overruns. Utilities increased drastically due to the startup of the new wastewater treatment plant during the year. The District does not budget for Depreciation.

NOTE 7 – COMMITMENTS AND CONTINGENCIES

Contingencies

The District has received state and federal funds for specific purposes that are subject to view and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursement will not be material.

Commitments

Myers & Sons Construction

On August 28, 2020, the District and Myers & Sons Construction (Myers) entered into a Construction Contract Agreement under which Myers agreed to provide construction services of the Wastewater Treatment Plant for a contract price of \$36,800,000. Change Orders were approved after the original signing of the contract for a total price of \$37,146,484. Construction costs capitalized in construction-in-progress as of June 30, 2023 was \$34,092,857.

AMERICAN VALLEY COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Carollo Engineers, Inc.

On July 11, 2019, the District and Carollo Engineers, Inc. (Carollo) entered into a Owner-Engineer Agreement under which Carollo agreed to provide engineering services during construction (services) for a fee of \$3,327,061. Fees capitalized in construction-in-progress as of June 30, 2023 was \$3,742,784.

Additionally, on July 11, 2019, the District and Carollo entered into a Construction Management Agreement under which Carollo agreed to provide construction management services during construction of the Wastewater Treatment Plant for a fee of \$2,369,820. Fees capitalized in construction-in-progress as of June 30, 2023 was \$2,331,389.

Sierra Controls, LLC

On January 1 2021, the District and Sierra Controls, LLC (Sierra Controls) entered into an Agreement under which Sierra Controls agreed to provide professional design and programming services during construction of the Wastewater Treatment Plant for a fee of \$291,911. Fees capitalized in construction-in-progress as of June 30, 2023 was \$213,247.

NOTE 8 – 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, 2023 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 9 – SUBSEQUENT EVENTS

Subsequent events were evaluated through May 4, 2024 which is the date the financial statements were available to be issued

AMERICAN VALLEY COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 10 – PENSION PLAN FOR PRIOR EMPLOYEES OF EAST QUINCY SERVICES DISTRICT

Plan Description

The District, as the employer, participates in the cost-sharing, multiple-employer defined benefit pension plan administered by the California Public employees' Retirement System (CalPERS). The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members, and beneficiaries. A full description of the pension plan benefit provisions, and assumptions for funding purposes can be obtained in Appendix B of the June 30, 2021 CalPERS actuarial valuation report at www.calpers.ca.gov/docs/forms-publications/gasb-68-agent-notes-accounting-valuation-reports-2023.pdf

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, 2022 contributions to the pension plan from the District were \$28,225.

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

At June 30, 2023, the District reported a net pension liability of \$346,536 for its proportionate share of the total net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022. 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, 2022. Based upon this information, the District's proportion was .00741%.

For the year ended June 30, 2023, the District recognized pension expense of \$57,230. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**AMERICAN VALLEY COMMUNITY SERVICES DISTRICT
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	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflow of Resources</u>
Change of Assumptions	\$ 35,510	\$ -
Differences Between Expected and Actual Experience	6,959	4,661
Differences Between Projected and Actual Investment Earning	63,476	
Difference Between Employer's Contributions and Proportionate Share of Contributions		37,321
Change in Employer's Proportion	43,787	
Contributions Subsequent to the Measurement Date	<u>43,705</u>	<u>-</u>
Total	<u>\$ 193,437</u>	<u>\$ 41,982</u>

\$43,705 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, 2023.

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:	
2024	\$ 26,041
2025	26,576
2026	16,310
2027	38,824
2028	-
Total	<u>\$ 107,751</u>

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2022, using the following actuarial assumptions, applied to all prior periods included in the measurement:

**AMERICAN VALLEY COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
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Valuations Date	June 30, 2022
Measurement Date	June 30, 2023
Actuarial Cost Method	Entry Age Normal
Actuarial Assumption:	Cost Method

Discount Rate	6.90%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	3.3%-14.2%
Investment Rate of Return	7.15%

(1) Depending on entry age and service

(2) Net of pension plan investment expenses, including inflation

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	Current Target Allocation	Real Return Year 1-10 ¹	Real Return Years 11+ ²
Global Equity	51.0%	5.25%	5.71%
Global Debt Securities	19.0%	0.99%	2.43%
Inflation Assets	6.0%	0.45%	3.36%
Private Equity	10.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%

¹ An expected inflation rate of 2.5% used for this period

² An expected inflation rate of 3.0% used for this period

Discount Rate

The discount rate used to measure the total pension liability was 6.90%. 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 6.90% discount rate is adequate and the use of the

**AMERICAN VALLEY COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

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 6.90%, 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 (5.90%) or 1 percentage point higher (7.90%) than the current rate:

	Discount Rate - 1% (5.90%)	Current Discount Rate (6.90%)	Discount Rate + 1% (7.90%)
Plan's Net Pension Liability/(Asset)	\$ 562,035	\$ 346,536	\$ 169,234

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 www.calpers.ca.gov/docs/forms-publications/gasb-68-agent-notes-accounting-valuation-reports-2023.pdf

NOTE 11 – PENSION PLAN FOR PRIOR EMPLOYEES OF QUINCY COMMUNITY SERVICES DISTRICT

Plan Description

The District, as the employer, participates in the cost-sharing, multiple-employer defined benefit pension plan administered by the California Public employees’ Retirement System (CalPERS). The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members, and beneficiaries. A full description of the pension plan benefit provisions, and assumptions for funding purposes can be obtained in Appendix B of the June 30, 2023, CalPERS actuarial valuation report available at www.calpers.ca.gov/docs/forms-publications/gasb-68-agent-notes-accounting-valuation-reports-2023.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

**AMERICAN VALLEY COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

July 1 following notice of a change in the rate. For the measurement period ended June 30, 2022 contributions to the pension plan from the District were \$116,901

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

At June 30, 2023, the District reported a net pension liability of \$1,005,976 for its proportionate share of the total net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022. 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, 2022. Based upon this information, the District's proportion was .02150%.

For the year ended June 30, 2023, the District recognized pension expense of \$78,133. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflow of Resources
Change of Assumptions	\$ 103,083	
Differences Between Expected and Actual Experience	20,202	13,530
Differences Between Projected and Actual Investment Earnings	184,268	
Difference Between Employer's Contributions and Proportionate Share of Contributions		86,126
Change in Employer's Proportion	76,669	
Contributions Subsequent to the Measurement Date	116,901	
Total	\$ 501,123	\$ 99,656

\$116,901 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, 2023. 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:

**AMERICAN VALLEY COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
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Year Ended June 30:		
2024	\$	67,741
2025		64,929
2026		39,190
2027		112,705
2028		-
Total	\$	284,565

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2021, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Valuations Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry Age Normal
Actuarial Assumption:	Cost Method
Discount Rate	6.90%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	3.3%-14.2% (1)
Investment Rate of Return	7.15% (2)

(1) Depending on entry age and service

(2) Net of pension plan investment expenses, including inflation

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.

**AMERICAN VALLEY COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

<u>Asset Class</u>	<u>Current Target Allocation</u>	<u>Real Return Year 1-10¹</u>	<u>Real Return Years 11+²</u>
Global Equity	51.0%	5.25%	5.71%
Global Debt Securities	19.0%	0.99%	2.43%
Inflation Assets	6.0%	0.45%	3.36%
Private Equity	10.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%

¹ An expected inflation rate of 2.5% used for this period

² An expected inflation rate of 3.0% used for this period

Discount Rate

The discount rate used to measure the total pension liability was 6.90%. 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 6.90% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 6.90% 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 6.90%, 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 (5.90%) or 1 percentage point higher (7.90%) than the current rate:

	<u>Discount Rate - 1% (5.90%)</u>	<u>Current Discount Rate (6.90%)</u>	<u>Discount Rate + 1% (7.90%)</u>
Plan's Net Pension Liability/(Asset)	\$ 1,573,818	\$ 1,005,976	\$ 538,782

NOTE 12 – EMPLOYEE MEDICAL REIMBURSEMENT PLAN

Qualified employees are offered a medical reimbursement plan as defined under IRS Code Sections 105, 213, and 152, which allows employees to be reimbursed for out-of-pocket medical expenses as defined in the American Valley Community Services District Employee Handbook.

AMERICAN VALLEY COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 13 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

The District provides certain postretirement healthcare benefits, as established by board policy, to eligible employees who satisfy the requirements for retirement under CalPERS (attained age 55 with 5 years of State or public agency service). This benefit creates the following types of OPEB liabilities:

Explicit subsidy liabilities: An “explicit subsidy” exists when the employer contributes directly toward the cost of retiree healthcare. In this program, the District pays a portion of retiree medical premiums for qualifying retirees. The Patient Protection and Affordable Care Act (ACA) includes a 40% excise tax on high-cost employer-sponsored health coverage. Any portion of such future excise tax paid by the employer is also a form of explicit subsidy.

Implicit subsidy liabilities: An “implicit subsidy” exists when the premiums charged for retiree coverage are lower than the expected retiree claims for that coverage. In the CalPERS medical program, the same monthly premiums are charged for active employees and for pre-Medicare retirees. CalPERS has confirmed that the claims experience of these members is considered together in setting premium rates.

Authority to establish and amend the benefit terms and financing requirements lies with the District board of directors. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

All contracts with District employees will be renegotiated periodically in the future, thus costs and benefits are subject to change. Benefits and contribution requirements for the OPEB plan are established by various labor agreements.

The plan does not issue a standalone report.

Retiree Benefit Provisions

Medical coverage is currently provided through CalPERS as permitted under the Public Employees’ Medical and Hospital Care Act (PEMHCA). This coverage requires the employee to satisfy the requirements for retirement under CalPERS, which requires attainment of age 50 (age 52, if a new miscellaneous member on or after January 1, 2013) with 5 years of State or public agency service or approved disability retirement.

The employee must begin his or her retirement benefit within 120 days of terminating employment with the District to be eligible to continue medical coverage through the agency and be entitled to the benefits described below. If an eligible employee is not already enrolled in the medical plan, he or she may enroll within 60 days of retirement, during any future open enrollment period or with a qualifying life event. *It is the timing of initiating retirement benefits and not timing of enrollment in the medical program which determines whether or not a District*

**AMERICAN VALLEY COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

retiree qualifies for lifetime medical coverage and any benefits defined in the PEMHCA resolution. Once eligible, coverage may be continued at the retiree’s option for his or her lifetime. A surviving spouse and other eligible dependents may also continue coverage.

Benefits provided

As a PEMHCA employer, the District is obligated to contribute toward the cost of retiree medical coverage for the retiree’s lifetime or until coverage is discontinued. The District currently maintains two separate resolutions with CalPERS, both executed in 2002. One covers former employees of Quincy CSD and one covers former employees of East Quincy Services District. Each is described below:

For Former Employees of East Quincy Services District

This PEMCHA resolution provides for the District to contribute 100% of the medical premiums for active employees, not to exceed the following maximum amounts in 2022 (when the valuation was prepared):

<u>2023 Monthly Cap</u>	
Employee Only	\$ 960.10
Employee +1	\$1,920.19

The District’s contribution toward retiree medical benefits is determined as a product of 5% times the number of prior years the employer has been contracted with PEMHCA times the contribution the employer makes towards active employee health benefits (see above).

In 2022, the District was obligated to contribute 100% of the amounts paid for active employees for qualifying former East Quincy Services District retirees who continue medical coverage in plans offered through the District:

<u>2023 Monthly Cap</u>	
Employee Only	\$ 960.10
Employee +1	\$1,920.19

For Former Employees of Quincy Community Services District

The District maintains an “unequal” resolution with CalPERS (executed in 2002). This resolution defines the level of the District’s contribution toward the cost of medical plan premiums for *active* employees to be the PEMHCA minimum employer contribution (MEC). The MEC is \$151 per month in 2024. Under the unequal resolution, the District’s contribution toward *retiree* medical benefits is determined by multiplying together the following three items:

- 5% *times*
- The number of prior years the employer has been contracted with PEMHCA *times*
- The contribution the employer makes towards active employee health benefits (i.e., the MEC)

**AMERICAN VALLEY COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

Thus, the District was obligated to contribute \$151.00 per month for any covered retiree during 2023.

District Funding Policy

The District's funding policy affects the calculation of liabilities by impacting the discount rate used to develop the plan liability and expense. "Pay-as-you-go" is the term used when an agency only contributes the required retiree benefits when due. When an agency finances retiree benefits on a pay-as-you-go basis, GASB 75 requires the use of a discount rate equal to a 20-year high grade municipal bond rate.

The District is currently financing its OPEB liability on a pay-as-you-go basis. With the District's approval, the discount rate used in this valuation is based on the S&P Municipal Bond 20 Year High Grade Index. As of the June 30, 2022 measurement date, use of this index results in a discount rate of 4.09%. A discount rate of 4.13% is expected to be used to develop all liabilities for the for the fiscal year ending June 30, 2023.

The District has not set aside any funds to accumulate assets for future retiree obligations. Due to the requirements of GASB No. 75, assets intended to fund future obligations are not considered to offset the unfunded benefit obligation until the assets are transferred to an irrevocable trust designed to pay for future OPEB obligations.

At June 30, 2023, the following retirees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	2
Active Employees	<u>7</u>
Total Number of Participants	<u>9</u>

Actuarial Assumptions and Other Inputs

GASB 75 allows reporting liabilities as of any fiscal year end based on: (1) a *valuation date* no more than 30 months plus 1 day prior to the close of the fiscal year end; and (2) a *measurement date* up to one year prior to the close of the fiscal year.

The following dates were used for the actuarial valuation:

Valuation Date	June 30, 2023
Measurement Date	June 30, 2023
Measurement Period	July 1, 2022 to June 30, 2023
Fiscal Year End	June 30, 2022 and June 30, 2023

The actuarial demographic assumptions (i.e. rates of retirement, death, disability or other termination of employment) used in the actuarial valuation were chosen, for the most part, to be

**AMERICAN VALLEY COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

the same as the actuarial demographic assumptions used for the most recent valuation of the retirement plan(s) covering District employees. Other assumptions, such as age-related healthcare claims, healthcare trend, retiree participation rates and spouse coverage, were selected based on demonstrated plan experience and/or the best estimate of expected future experience. All these assumptions, and more, impact expected future benefits.

This actuarial valuation provides a projection of future results based on many assumptions. Actual results are likely to vary to some extent.

The total OPEB liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumption and other inputs, applied to all periods including in the measurement unless otherwise specified:

Asset Valuation Method	Market Value of Assets (0%, as Paln is not funded)
Salary Increases	3.0%
Discount Rate	4.13%
Participants Valued	Current active employees, covered retirees and covered dependants. Future entrants not considered
Healthcare Cost Trend Rates	5.8%, decreased to 4% by 2076
General Inflation Rate	2.50%

Other methods and assumptions were considered, such as mortality rates, termination rates, retirement rates, spouse coverage, etc.

Total OPEB Liability

The District's total OPEB liability of \$719,721 was measured as of June 30, 2023, and was determined by an actuarial valuation as of that date.

AMERICAN VALLEY COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Schedule of changes in Net OPEB Liability and Related Ratios
Total OPEB Liability

Service Cost	\$	34,693
Interest		42,492
Changes in Assumptions		14,551
Change of Benefit terms and Actual Experience		-
Employer Contributions during Fiscal Year		(374,417)
Net Change in total OPEB liability		<u>(3,667)</u>
Total OPEB liability- beginning		<u>1,006,069</u>
Total OPEB liability- ending (a)	\$	<u>719,721</u>
Plan Fiduciary Net Position		
Contributions - Employer	\$	3,667
Net Investment Income		0
Benefit Payments		(3,667)
Net Change in Plan Fiduciary Net Position		<u>0</u>
Plan Fiduciary Net Position - beginning		<u>0</u>
Plan Fiduciary Net Position - ending (b)	\$	<u>-</u>
Net OPEB Liability - ending (a) - (b)	\$	<u>719,721</u>
<i>Schedule of OPEB Expense</i>		
Employer Contributions during Fiscal Year	\$	3,667
Deterioration in Net Position		(1,185)
OPEB Expense	\$	<u>2,482</u>

For the year ended June 30, 2023, the District recognized OPEB expense of \$2,482 in both the Water and Wastewater Funds.

Sensitivity of the net OPEB liability to changes in the discount rate. The following presets the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1- percent point lower (3.13 percent) or 1- percentage- point higher (5.13 percent) than the current discount rate:

**AMERICAN VALLEY COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

1% Decrease	Discount Rate	1% Increase
(3.13%)	(4.13%)	(5.13%)

Net OPEB Liability \$ 835,006 \$ 719,721 \$ 625,455

Sensitivity of the net OPEB liability to change in the healthcare cost trend rates. The following presents the net OPEB liability, as well as what net OPEB liability would be if it were calculated using healthcare cost trend that are 1- percentage-point lower (4.80 percent decreasing to 3.0 percent) or 1- percentage- point higher (6.80 percent decreasing to 5.0 percent) than the current healthcare cost trend rates:

1% Decrease	Trend Rate	1% Increase
(4.8%)	(5.80%)	(6.80%)

Net OPEB Liability \$ 609,133 \$ 719,721 \$ 858,723

NOTE 14 – SEGMENT INFORMATION FOR WASTEWATER ENTERPRISE FUND

The District maintains an enterprise fund for Wastewater Collection and Treatment Fund. Segment information for the year ended June 30, 2023 is as follows:

AMERICAN VALLEY COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

CONDENSED STATEMENT OF NET POSITION

	<u>Wastewater Fund</u>
Assets:	
Current Assets	\$ 7,217,032
Capital Assets, net	51,735,744
Restricted Cash	535,232
Total Assets	<u>\$ 59,488,008</u>
Deferred Outflows of Resources	<u>\$ 369,529</u>
Liabilities:	
Current Liabilities	\$ 808,362
Noncurrent Liabilities	25,479,404
Total Liabilities	<u>\$ 26,287,766</u>
Deferred Inflows of Resources	<u>\$ 375,539</u>
Net Position:	
Net Investment in Capital Assets	\$ 27,019,321
Restricted for Debt Service	125,306
Restricted for Water Treatment	-
Plant Construction	409,926
Unrestricted	5,639,680
Total Net Position	<u>\$ 33,194,233</u>

**AMERICAN VALLEY COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	Wastewater Fund
Operating Revenues and Expenses:	
Operating Revenues	\$ 2,119,650
Depreciation Expense	542,387
Other Operating Expenses	1,226,845
Operating Income	350,418
Nonoperating Revenue (Expenses):	
Nonoperating Revenue	6,562,306
Interest Expense	(283,574)
Change in Net Position	\$ 6,629,150

CONDENSED STATEMENT OF CASH FLOWS

Net cash provided (used) by:	
Operating Activities	\$ (823,148)
Noncapital Financing activities	82,258
Capital and related financing Activities	(719,465)
Investing Activities	(192,607)
Net Increase in Cash and Cash Equivalents	(1,652,962)
Beginning Cash Balance, July 1, 2022	8,409,100
Ending Cash Balance, June 30, 2023	\$ 6,756,138

**SCHEDULE OF THE AMERICAN VALLEY COMMUNITY SERVICES DISTRICTS
 PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 CALIFORNIA PUBLIC EMPLOYEES RETIREMENT SYSTEM**

**FORMER QUINCY COMMUNITY SERVICE DISTRICT EMPLOYEES
 (MISCELLANEOUS PLAN)**

	<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>	<u>June 30, 2021</u>	<u>June 30, 2022</u>	<u>June 30, 2023</u>
District's Proportion of the Net Pension Liability (Asset)	0.0194%	0.0171%	0.0187%	0.0182%	0.01800%	0.0182%	0.01970%	0.02112%	0.02150%
District's Proportion of the Net Pension Liability (Asset)	479,119	468,964	617,292	715,916	678,305	731,949	808,474	400,984	1,005,976
District's Covered-Employee Payroll	\$ 408,663	\$ 381,019	\$ 399,470	\$ 404,509	\$ 318,055	\$ 452,803	\$ 387,169	\$ 313,081	\$ 340,123
District's Proportionate Share of the Net pension Liability (asset) as a percentage of its covered-employee payroll	117.24%	123.1%	154.5%	177.0%	213.3%	161.6%	208.8%	128.1%	295.8%
Plan's Proportionate Share of the Fiduciary Net Position as a percentage of NPL	79.5%	80.97%	77.01%	76.02%	78.72%	77.45%	77.29%	75.65%	74.28%
Plan's Proportionate Share of Aggregate Employer contributions	\$ 50,086	\$ 69,094	\$ 81,542	\$ 82,272	\$ 88,902	\$ 73,780	\$ 82,843	\$ 95,070	\$ 116,901

Notes to Schedule:
 Only nine fiscal years are presented because 10-year data is not yet available.

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

**FORMER EAST QUINCY COMMUNITY SERVICE DISTRICT EMPLOYEES
(MISCELLANEOUS PLAN)**

	<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>	<u>June 30, 2021</u>	<u>June 30, 2022</u>	<u>June 30, 2023</u>
District's Proportion of the Net Pension Liability (Asset)	0.00765%	0.00631%	0.00643%	0.00650%	0.00636%	0.00634%	0.00648%	0.00602%	0.00741%
District's Proportion of the Net Pension Liability (Asset)	\$ 173,137	\$ 173,008	\$ 224,463	\$ 258,421	\$ 239,699	\$ 253,811	\$ 273,538	\$ 114,270	\$ 346,536
District's Covered-Employee Payroll	\$ 194,588	\$ 247,723	\$ 258,480	\$ 278,520	\$ 213,529	\$ 237,538	\$ 284,821	\$ 111,328	\$ 120,944
District's Proportionate Share of the Net pension Liability (asset) as a percentage of its covered-employee payroll	88.98%	69.8%	86.8%	92.8%	112.3%	106.9%	96.0%	102.6%	286.5%
Plant's Proportionate Share of the Fiduciary Net Position as a percentage of NPL	74.8%	79.28%	75.75%	76.60%	79.98%	79.52%	80.29%	77.91%	76.49%
Plant's Proportionate Share of Aggregate Employer contributions	\$ 38,529	\$ 37,341	\$ 42,328	\$ 34,874	\$ 47,596	\$ 32,139	\$ 28,225	\$ 34,528	\$ 43,705

Notes to Schedule:

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

**AMERICAN VALLEY COMMUNITY SERVICES DISTRICT'S
SCHEDULE OF DISTRICT CONTRIBUTIONS
CALIFORNIA PUBLIC EMPLOYEES RETIREMENT SYSTEM**

FORMER EAST QUINCY COMMUNITY SERVICE DISTRICT EMPLOYEES

	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	Fiscal Year 2021-22	Fiscal Year 2022-23
Actuarially Determined Contribution	\$ 30,690	\$ 34,480	\$ 37,545	\$ 27,428	\$ 34,874	\$ 36,262	\$ 32,139	\$ 28,225	\$ 34,528
Contributions in Relation to the Actuarially Determined Contribution	(37,013)	(26,128)	(42,328)	(27,428)	(34,874)	(36,262)	(32,139)	(28,225)	(34,528)
Contribution Deficiency (Excess)	\$ (6,323)	\$ 8,352	\$ (4,783)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Employee Payroll	\$ 194,588	\$ 247,723	\$ 258,480	\$ 278,520	\$ 213,529	\$ 237,538	\$ 284,821	\$ 111,328	\$ 120,944
Contributions as a Percentage of Covered-Employee Payroll	19.02%	13.92%	14.53%	9.85%	16.33%	15.27%	11.28%	25.35%	28.55%

Notes to Schedule:

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

**AMERICAN VALLEY COMMUNITY SERVICES DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY**

	Measurement Period Ended					
	2018	2019	2020	2021	2022	2023
District's proportion of the collective net OPEB liability	100%	100%	100%	100%	100%	100%
District's proportionate share of the collective net OPEB liability	\$ 843,342	\$ 923,021	\$ 990,840	\$ 1,289,232	\$ 1,006,069	\$ 719,721
Total	\$ 844,342	\$ 923,021	\$ 990,840	\$ 1,289,232	\$ 1,006,069	\$ 719,721
District's covered-employee payroll	\$ 636,415	\$ 651,246	\$ 690,341	\$ 456,766	\$ 515,355	\$ 515,355
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	132.51%	141.73%	143.53%	282.25%	195.22%	139.66%
Plan fiduciary net position as a percentage of the total OPEB liability	N/A	N/A	N/A	N/A	N/A	N/A

*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the schedule provides the information for those years for which information is available.

AMERICAN VALLEY COMMUNITY SERVICES DISTRICT
 SCHEDULE OF DISTRICT OPEB CONTRIBUTIONS

	Measurement Period Ended					
	2018	2019	2020	2021	2022	2023
Statutorily or contractually required District contribution	\$ 29,194	\$ 62,182	\$ 65,898	\$ 68,040	\$ 56,523	\$ 34,693
Contributions recognized by OPEB in relation to statutorily or contractually required contribution	21,070	24,979	25,317	2,925	3,462	3,667
Contribution deficiency (excess)	\$ 8,124	\$ 37,203	\$ 40,581	\$ 65,115	\$ 53,061	\$ 31,026
District's covered-employee payroll	\$ 343,403	\$ 651,246	\$ 690,341	\$ 456,766	\$ 515,355	\$ 515,355
Contributions as a percentage of covered-employee payroll	8.50%	9.55%	9.55%	14.90%	10.97%	6.73%

*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the schedule provides the information for those years for which information those years for which information is available.

**AMERICAN VALLEY COMMUNITY SERVICES DISTRICT
STATEMENT OF OPERATIONS - PROPRIETARY FUNDS - BUDGET AND ACTUAL
WATER FUND
FOR THE YEAR ENDED JUNE 30, 2023**

	Budget Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Operating Revenues:				
Utility Revenue	\$ 1,000,000	\$ 1,000,000	\$ 1,168,702	\$ 168,702
Other Operating Revenue	19,203	19,203	106,729	87,526
Total Operating Revenue	<u>1,019,203</u>	<u>1,019,203</u>	<u>1,275,431</u>	<u>256,228</u>
Operating Expenses:				
Salaries and Benefits	420,961	420,961	382,094	38,867
Insurance	42,436	42,436	33,193	9,243
Legal, Accounting and Professional Services	62,536	62,536	36,348	26,188
Utilities	135,878	135,878	148,991	(13,113)
Dues and Permits	23,092	23,092	14,229	8,863
Depreciation		-	385,995	(385,995)
Monitoring	11,330	11,330	-	11,330
Repairs and Maintenance	92,700	92,700	184,830	(92,130)
Office	31,827	31,827	37,927	(6,100)
Other Expenses	217,588	217,588	41,185	176,403
Total Operating Expenses	<u>1,038,348</u>	<u>1,038,348</u>	<u>1,264,792</u>	<u>(226,444)</u>
Operating Income (Loss)	<u>(19,145)</u>	<u>(19,145)</u>	<u>10,639</u>	<u>29,784</u>
Non-Operating Revenue (Expense):				
Interest Income	42,436	42,436	71,055	28,619
Property Taxes	140,039	140,039	82,258	(57,781)
Other Income	19,304	19,304	11,026	(8,278)
Capital Grant Revenue				-
Total Non-Operating Revenues (Expenses)	<u>201,779</u>	<u>201,779</u>	<u>164,339</u>	<u>(37,440)</u>
Net Income (Loss)	<u>\$ 182,634</u>	<u>\$ 182,634</u>	<u>\$ 174,978</u>	<u>\$ (7,656)</u>

The accompanying notes are an integral part of this statement.

AMERICAN VALLEY COMMUNITY SERVICES DISTRICT
STATEMENT OF OPERATIONS - PROPRIETARY FUNDS - BUDGET AND ACTUAL
WASTEWATER FUND
FOR THE YEAR ENDED JUNE 30, 2023

	Budget Amounts		Actual	Variance with
	Original	Final		Final Budget
				Favorable
				(Unfavorable)
Operating Revenues:				
Utility Revenue	\$ 1,975,000	\$ 1,975,000	\$ 1,943,839	\$ (31,161)
Other Operating Revenue	159,361	159,361	175,811	16,450
Total Operating Revenue	<u>2,134,361</u>	<u>2,134,361</u>	<u>2,119,650</u>	<u>(14,711)</u>
Operating Expenses:				
Salaries and Benefits	564,365	564,365	498,171	66,194
Insurance	53,333	53,333	40,670	12,663
Legal, Accounting and Professional Services	69,999	69,999	41,923	28,076
Utilities	163,038	163,038	285,674	(122,636)
Dues and Permits	6,061	6,061	4,781	1,280
Depreciation		-	542,387	(542,387)
Sewage Supplies, Monitoring and Disposal	301,152	301,152	226,800	74,352
Repairs and Maintenance	52,427	52,427	65,050	(12,623)
Office	32,424	32,424	36,878	(4,454)
Other Expenses	55,807	55,807	26,898	28,909
Total Operating Expenses	<u>1,298,605</u>	<u>1,298,605</u>	<u>1,769,232</u>	<u>(470,627)</u>
Operating Income (Loss)	<u>835,756</u>	<u>835,756</u>	<u>350,418</u>	<u>(485,338)</u>
Non-Operating Revenue (Expense):				
Interest Income	20,000	20,000	100,605	80,605
Property Taxes	66,837	66,837	82,258	15,421
Wastewater Treatment Capital	160,531	160,531	382,053	221,522
Grant revenue		-	5,902,332	5,902,332
System Facility Fees	199,000	199,000	95,058	(103,942)
Other Income	4,000	4,000	-	(4,000)
Interest expense	(130,000)	(130,000)	(283,574)	(153,574)
Total Non-Operating Revenues (Expenses)	<u>320,368</u>	<u>320,368</u>	<u>6,278,732</u>	<u>6,111,938</u>
Net Income (Loss)	<u>\$ 1,156,123</u>	<u>\$ 1,156,123</u>	<u>\$ 6,629,150</u>	<u>\$ 5,473,027</u>

The accompanying notes are an integral part of this statement.

American Valley Community Services District
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2023

Federal Grantor/Program or Cluster Title	Assistance Listing Number	Federal Expenditures
Other Programs		
United State Department of Agriculture		
Water and Waste Disposal Systems for Rural Communities		
Water and Waste Disposal Systems for Rural Communities	10.760	\$ 6,404,313
Total Water and Waste Disposal Systems for Rural Communities		
<i>Total United States Department of Agriculture</i>		
Total Other Programs		<u>6,404,313</u>
Total Expenditures of Federal Awards		<u>\$ 6,404,313</u>

The accompanying notes are an integral part of this statement.

**AMERICAN VALLEY COMMUNITY SERVICES DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2023**

NOTE 1 – SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The accompanying Schedule of expenditures of Federal Awards presents the activity of all Federal award programs of American Valley Community Services District. The District's reporting entity is defined in Note 1 to the basic financial statements. All financial assistance received directly from the Federal agencies as well as Federal financial assistance passed through other governmental agencies to the District is included in the accompanying schedule.

The District did not elect to use the 10% *de minimis* indirect cost rate. Federal financial assistance passed through to other agencies is included in the schedule, if applicable.

Federal and state awards expended are reported on the accrual basis of accounting in conformity with generally accepted accounting principles as described in the notes to the financial statements.

The schedule was prepared only from accounts of the grant programs and, therefore, does not present the financial position or results of operations of the Organization.

Federal Awards expenditures agree or can be reconciled with the amounts reported in the District's basic financial statements.

Amounts reported in the accompanying schedule agree with amounts reported in related federal financial reports.

**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
American Valley Community Services District
Quincy, CA

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 business-type activities and each major fund of the American Valley Community Services District as of and for the year ended June 30, 2023, 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 4, 2024.

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) as a basis for designing 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

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. See Finding 2023-001.

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 4, 2024

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE *UNIFORM
GUIDANCE***

Board of Directors
American Valley Community Services District
Quincy, CA

Opinion on Each Major Federal Program

We have audited American Valley Community Services District's (District) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2023. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, American Valley Community Services District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Respectfully Submitted,



Singleton Auman PC
 Susanville, CA
 May 4, 2024

**SCHEDULE OF FINDINGS AND
QUESTIONED COSTS**

**AMERICAN VALLEY COMMUNITY SERVICES DISTRICT
COMBINED SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2023**

A. Summary of Auditors' Results

1. Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes No

Significant Defecency(ies) identified that are not considered to be material weaknesses? Yes None Reported

Noncompliance material to financial statements noted? Yes No

2. Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes No

Significant Defecency(ies) identified that are not considered to be material weaknesses? Yes None Reported

Type of auditors' report issued on compliance for major programs: Unmodified

Version of Compliance Supplement used in audit: 2023

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance Section 200.516. Yes No

Identification of major programs:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
10.760	Water and Waste Disposal Systems for Rural Communities

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes No

**AMERICAN VALLEY COMMUNITY SERVICES DISTRICT
COMBINED SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2023**

**YELLOW BOOK SECTION
Significant Deficiency**

Finding 2023-001 Lack of Segregation of Duties

Criteria Upon Which Audit Finding is Based (Legal Citation)

Internal Control Standards

Finding (Condition)

The Districts processes of Cash Receipts, Cash Disbursements, and Payroll internal control systems do not adequately separate the duties of authorization of transactions, recording of transactions in the accounting system, custody of assets, and reconciliation of accounts.

Amount of Questioned Cost, How Computed and Prevalence

None.

Effect

The District has the risk of financial statement misstatement, and the potential risk of fraud, that may not be prevented or detected by the District's system of internal controls.

Cause

The District has a limited number of personnel in the Business office, which does not allow for adequate segregation of duties in all transaction areas.

Recommendation

We recommend that the District consider implementing the following, which will minimize the effects of these control deficiencies:

1. The Board should designate an individual besides the Business Manager to function as the Treasurer, and carry out the Treasurer duties.
2. The Treasurer's duties should entail accessing bank statements through the banks online system, reviewing and providing bank statements to the Business Manager, reviewing paychecks, and signing checks as needed.
3. Once personnel in the business office are trained, the Business Manager should have "Read-only" access to the Utility billing software.
4. Business office personnel that receive customer payments should not also make deposits to the bank account. Ideally, an individual outside the business office should make bank deposits.

District's Response

The District will consider the recommendations above and implement new policies as procedures where the benefits to be derived do not exceed the costs.

**AMERICAN VALLEY COMMUNITY SERVICES DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
JUNE 30, 2023**

Finding 2022-001 – Lack of Segregation of Duties

Status

Not Implemented. See Finding 2023-001.

**AMERICAN VALLEY COMMUNITY SERVICES DISTRICT
CORRECTIVE ACTION PLAN
JUNE 30, 2023**

Person Monitoring Corrective Action Plan
General Manager

Finding 2023-001 Lack of Segregation of Duties

Finding (Condition)

The Districts processes of Cash Receipts, Cash Disbursements, and Payroll internal control systems do not adequately separate the duties of authorization of transactions, recording of transactions in the accounting system, custody of assets, and reconciliation of accounts.

Corrective Action Planned

The District will consider the recommendations above and implement new policies as procedures where the benefits to be derived do not exceed the costs.

Expected Completion Date

Ongoing