

**REPORT OF INDEPENDENT AUDITOR AND  
FINANCIAL STATEMENTS  
IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

**ARVIN COMMUNITY SERVICES DISTRICT**

**JUNE 30, 2021**

**Bill R. Walker  
Certified Public Accountant**

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**BILL R. WALKER**  
**Certified Public Accountant**

**Report of Independent Auditor**

Board of Directors  
Arvin Community Services District  
Arvin, California

**Report on the Financial Statements**

I have audited the accompanying financial statements of Arvin Community Services District (the District) which comprise the statement of net position as of June 30, 2021, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

My responsibility is to express opinions on these financial statements based on my audit, I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence that I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

### ***Opinions***

In my opinion, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of the District as of June 30, 2021, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the schedule of operating costs and the budget versus actual comparison on pages 26 and 27 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge that I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because of the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Arvin Community Services District's basic financial statements. The *management discussion and analysis* is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The *management discussion and analysis* is the responsibility of management and was derived from and relates directly from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to three 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 my opinion, the *management discussion and analysis* is fairly stated, in all material respects, in relation to the basic financial

statements as a whole. The *management discussion and analysis* has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, I do not express an opinion or provide any assurance on it.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, I have also issued my report dated January 8, 2022, on my consideration of the District's internal control over financial reporting and my 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 my testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Arvin Community Services District's internal control over financial reporting and compliance.

***Bill R. Walker CPA***

Bill R. Walker  
Certified Public Accountant

Bakersfield, California  
January 8, 2022

ARVIN COMMUNITY SERVICES DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
JUNE 30, 2021

As management of the Arvin Community Services District (the District), we offer readers of the District's basic financial statements this narrative overview and analysis of the District's financial performance during the year ending June 30, 2021. Please read it in conjunction with the District's financial statements, which follow in this section.

*Financial Highlights*

The District's total net position decreased \$ 92,757 or .4% over the course of the year's operations. This decrease was primarily related to operating expenses increasing \$316,022 or 10.7% for the fiscal year ended June 30, 2021, and capital contributions, including grants decreased \$6,704,107 or 81.8% for the fiscal year ended June 30, 2021.

The District's total operational revenue increased \$616,921 or 17.1% during the year ended June 30, 2021. The components of the increase are as follows:

Increase in business and commercial water sales	\$ 18,786
Increase in residential water sales	660,001
(Decrease) in residential water services	(76,886)
Increase in other revenues	<u>15,020</u>
Increase in total operational revenue	<u>\$ 616,921</u>

The District's operating expenses increased \$316,022 or 10.7% during the fiscal year ended June 30, 2021.

The District's capital assets, before accumulated depreciation increased \$2,355,342 or , 9.6% during the fiscal year ended June 30, 2020 as a result of operational fixed assets transitioning from Construction in Progress.

ARVIN COMMUNITY SERVICES DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
JUNE 30, 2021

*Overview of the Financial Statements*

This annual report includes this management's discussion and analysis report, the independent auditor's report, the financial statements of the District and selected additional information. The financial statements also include notes that explain in more detail some of the information in the financial statements.

*Required Financial Statements*

The financial statements of the District report information of the District using accounting methods like those used by private sector companies. These statements offer short and long term financial information about its activities. The Statement of Net Position includes all of District's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to District creditors (liabilities). It also provides the basis for evaluating the capital structure of the District and for assessing the liquidity and financial flexibility of the District.

All the current year's revenues and expenses are accounted for in the Statement of Revenues and Expenses, and Changes in Net Position. These statements measure the success of the District's operations over the past year and can be used to determine whether the District has successfully recovered all of its costs through its revenue and contributions.

The final required financial statement is the Statement of Cash Flows. This statement reports cash receipts , cash payments, and net changes in cash resulting from operations, investing, and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

*Financial Analysis of the District*

One of the most important questions asked about the District's finances is, "Is the District as a whole better off or worse off because of the year's activities?" The Statement of Net Position, and the Statements of Revenues and Expenses, and Changes in Net Position, report information about the District's activities in a way that will help answer this question. These two statements report the net position of the District and the changes in them. One can think of the District's net position, as one indicator of whether its financial health is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, and new or changed government legislation.

ARVIN COMMUNITY SERVICES DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
JUNE 30, 2021

*Net Position*

To begin our analysis, a summary of the District's Statements of Net Position is presented in Table A-1

Table A - 1  
Condensed Statements of Net Position  
June 30, 2021 and 2020

	2021	2020	Dollar Change	Percent Change
Current Assets	\$ 10,140,706	\$ 7,479,290	\$ 2,661,416	35.6%
Capital Assets	21,032,188	19,429,724	1,602,464	8.2%
Other Assets	5,823	7,568	(1,745)	-23.1%
<b>Total Assets</b>	<b>\$ 31,178,717</b>	<b>\$ 26,916,582</b>	<b>\$ 4,262,135</b>	<b>15.8%</b>
Current Liabilities	\$ 225,696	\$ 575,798	\$ (350,102)	-60.8%
Long- Term Debt	5,343,348	638,354	4,704,994	737.1%
Other Liabilities	-	-	-	-
<b>Total Liabilities</b>	<b>5,569,044</b>	<b>1,214,152</b>	<b>4,354,892</b>	<b>358.7%</b>
Unrestricted Net Position	9,915,010	6,903,491	3,011,519	43.6%
Invested in Capital Assets, net of Related Debt	15,694,663	18,798,939	(3,104,276)	-16.5%
<b>Total Equity</b>	<b>25,609,673</b>	<b>25,702,430</b>	<b>(92,757)</b>	<b>-0.4%</b>
<b>Total Liabilities and Equity</b>	<b>\$ 31,178,717</b>	<b>\$ 26,916,582</b>	<b>\$ 4,262,135</b>	<b>15.8%</b>

As can be seen from the table above, total assets increased \$4,262,135 to \$31,178,717 at June 30, 2021 up from \$26,916,582 at June 30, 2020. The increase in total assets of the District was composed of three factors: current assets increased \$2,661,416, capital assets net of depreciation increased \$1,602,464, and other assets decreased \$1,745.



ARVIN COMMUNITY SERVICES DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
JUNE 30, 2021

Table A-2 Condensed Statements of Revenues and Expenses and  
Changes in Net Position  
Year Ended June 30, 2021 and 2020

	2021	2020	Dollar Change	Percentage Change
<b>REVENUE</b>				
Operating Revenues	\$ 4,218,606	\$ 3,601,685	\$ 616,921	17.1%
Non-operating Revenues	6,964	4,000,193	(3,993,229)	-99.8%
Total Revenues	4,225,570	7,601,878	(3,376,308)	-44.4%
<b>EXPENSES</b>				
Operating Expenses	3,273,530	2,957,508	316,022	10.7%
Non-operating Expenses	71	95	(24)	-25.3%
Total Expenses	3,273,601	2,957,603	315,998	10.7%
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS</b>	951,969	4,644,275	(3,692,306)	79.5%
<b>CONTRIBUTIONS</b>				
Capital contributions, including Grants	1,489,275	8,193,382	(6,704,107)	-81.8%
<b>CHANGE IN NET POSITION</b>	2,441,244	12,837,657	(10,396,413)	-81.0%
<b>NET POSITION, BEGINNING OF YEAR - RESTATED</b>	23,168,429	12,864,773	10,303,656	80.1%
<b>NET POSITION, END OF YEAR</b>	\$ 25,609,673	\$ 25,702,430	\$ (92,757)	-0.4%

The District's operating revenues increased \$616,921 to \$4,225,570 during the year ended June 30, 2021 from \$3,601,685 during the year ended June 30, 2020. The District's non-operating revenues decreased \$3,993,229 to \$6,964 during the year ended June 30, 2021 from \$4,000,193 during the year ended June 30, 2020.

The District's operating expenses increased \$316,022 to \$3,273,530 during the year ended June 30, 2021 from \$2,957,508 during the year ended June 30, 2020.

The District's non-operating expenses decreased \$24 to \$71 during the year ended June 30, 2021 from \$95 during the year ended June 30, 2020.

The District's capital contributions, including Developer Fees and Grants, decreased \$6,704,107 to \$1,489,275 during the year ended June 30, 2021 from \$8,193,382 during the year ended June 30, 2020.

Funds received from the California State Water Resources Control Board as per an agreement and the terms of a planning loan as a part of the Arsenic Mitigation Project were erroneously recorded as federal grant support in the amount of \$2,534,001 in the year ended June 30, 2020. The \$2,534,001 was reclassified as loan proceeds in the year ended June 30, 2020 with a resulting adjustment to beginning net assets in the same amount.

ARVIN COMMUNITY SERVICES DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
JUNE 30, 2021

Table A-3  
Schedule of Capital Assets  
Year Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
<i><u>Capital Assets Being Depreciated</u></i>				
Transmission and Distribution Facilities	\$ 6,793,678	\$ 3,647,700	\$ 3,145,978	86.2%
Source of Supply	15,877,070	8,044,847	7,832,223	97.4%
Pumping Plant	607,297	591,575	15,722	2.7%
General Plant	<u>1,399,320</u>	<u>1,399,320</u>	<u>-</u>	<u>0.0%</u>
Total Capital Assets Being Depreciated	24,677,365	13,683,442	10,993,923	5.6%
Less, Accumulated Depreciation	<u>(5,957,622)</u>	<u>(5,204,742)</u>	<u>(752,880)</u>	<u>8.6%</u>
Depreciable Assets, Net of Accumulated Depreciation	<u>\$ 18,719,743</u>	<u>\$ 8,478,700</u>	<u>\$ 10,241,043</u>	<u>120.8%</u>
<i><u>Capital Assets Not Being Depreciated</u></i>				
Land	247,062	247,062	-	-
Construction in Progress	<u>2,065,383</u>	<u>10,703,964</u>	<u>(8,638,581)</u>	<u>-80.7%</u>
Total Capital Assets not Being Depreciated	<u>2,312,445</u>	<u>10,951,026</u>	<u>(8,638,581)</u>	<u>-78.9%</u>
Total Capital Assets , Net of Accumulated Depreciation	<u>\$ 21,032,188</u>	<u>\$ 19,429,726</u>	<u>\$ 1,602,462</u>	<u>8.2%</u>

ARVIN COMMUNITY SERVICES DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
JUNE 30, 2021

*Economic Factors and Next Year's Budget and Rates*

The District was about 90% complete on June 30, 2021, with the Arsenic Mitigation Project Phase II with only one well needing completion (Well 18 will not be completed until May 2022).

The Contractor W.M. Lyles was awarded the contract on April of 2019. Their portion of the project was valued at \$11.2 million, which included the development and construction of 3 new well sites, a 1 million gallon storage tank and booster station, 500 kW generators at all the new well sites, site security system, SCADA integration, and 17000 ft of 12" and 24" underground distribution piping. W.M. Lyles was also in charge of decommissioning and demolition of five existing well sites.

The budget for fiscal year 2021-2022 and future years indicated, will include improvements:

- 1) Water Meter Replacement Program - \$175,000 for the next two years to replace older meters and make all of them radio read to minimize time spent reading.
- 2) Valve Exercising Program and Valve Replacement - \$250,000 proposed per year, for the next three years.
- 3) The District is waiting for State Water Resources Control Board for final approval of the annexation of the Di Giggio Trailer Park and other connections nearby (Comanche Drive and Digiogio). The project for the District will incorporate a new 725,000 gallon storage tank with booster stations. The District will also use this opportunity to split the northern zone of the water system to allow better pressure to the area north of Varsity Road.

*Contacting District Management*

This financial report is designed to provide our customers 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 the District at 309 Campus Drive, Arvin, California 93203.

**BASIC  
FINANCIAL STATEMENTS**

**ARVIN COMMUNITY SERVICES DISTRICT**

**PROPRIETARY FUND TYPE - ENTERPRISE FUND  
STATEMENT OF NET POSITION  
YEAR ENDED JUNE 30, 2021**

**ASSETS**

Current assets

Cash and cash equivalents	\$ 9,484,733
Receivables	575,775
Prepaid expenses	57,250
Inventory	<u>22,948</u>

Total current assets 10,140,706

Non-current assets

Depreciable fixed assets, net of accumulated depreciation	18,719,743
Non-depreciable fixed assets	2,312,445
Special assessment receivable	<u>5,823</u>

Total non-current assets 21,038,011

**Total Assets** 31,178,717

**LIABILITIES**

Current liabilities

Accrued liabilities	155,445
Customer deposits	70,251
Note payable, due in one year	<u>180,011</u>

Total current liabilities 405,707

Non-current liabilities

Long-term debt, net of current portion	<u>5,163,337</u>
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Total long-term liabilities 5,163,337

**Total Liabilities** 5,569,044

**NET POSITION**

Invested in capital assets - net of related debt	15,694,663
Unrestricted	<u>9,915,010</u>

**Total Net Position** 25,609,673

**Total Liabilities and Net Position** \$ 31,178,717

The accompanying notes are an integral part of these financial statements

**ARVIN COMMUNITY SERVICES DISTRICT**

**PROPRIETARY FUND TYPE - ENTERPRISE FUND  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
YEAR ENDED JUNE 30, 2021**

**OPERATING REVENUE**

Water sales	\$ 4,156,783
Fees and permits	61,823
	<hr/>
Total operating revenue	4,218,606

**OPERATING EXPENSES**

Source of supply	9,064
Pumping	886,544
Transmission and distribution	1,228,182
Administration and general	396,860
Depreciation	752,880
	<hr/>
Total operating expenses	3,273,530

**OPERATING INCOME**

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945,076

**NON-OPERATING REVENUE / (EXPENSES)**

Interest income	4,732
Interest expense	(71)
Net awards from litigation settlement - See attached notes	2,232
	<hr/>
Total non-operating revenue (expenses)	6,893

**INCOME BEFORE CONTRIBUTIONS**

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951,969

Capital Contributions	
Developer fees	383,760
Federal grant support	1,105,515
State grant support (reimbursement)	-
	<hr/>
Total capital contributions	1,489,275

**CHANGE IN NET POSITION**

2,441,244

**NET POSITION - BEGINNING OF YEAR RESTATED - NOTE 11**

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23,168,429

**NET POSITION - END OF YEAR**

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\$ 25,609,673

The accompanying notes are an integral part of these financial statements

**ARVIN COMMUNITY SERVICES DISTRICT**  
**PROPRIETARY FUND TYPE - ENTERPRISE FUND**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2021**

**Cash flows from operating activities**

Cash receipts from customers	\$ 4,059,831
Cash payments to employees for salaries and benefits	(633,182)
Cash payments to suppliers for goods and services	<u>(2,256,157)</u>
Net cash provided by operating activities	<u>1,170,492</u>

**Cash flows from capital and related financing**

Proceeds of new federal long-term debt	2,182,392
Receipt of state grant	-
Receipt of federal grant	1,105,515
Receipt of developer fees	383,760
Purchase of capital assets	(2,355,344)
Proceeds from sale of assets	-
Non-operating revenue	2,232
Principal paid on reduction of long-term debt	(11,399)
Interest paid on reduction of long-term debt	<u>(71)</u>
Net cash provided by capital and related financing	<u>1,307,085</u>

**Cash flows from investing activities**

Interest received	<u>4,732</u>
Net cash provided by investing activities	<u>4,732</u>

**NET INCREASE IN CASH AND CASH EQUIVALENTS** 2,482,309

**CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** 7,002,424

**CASH AND CASH EQUIVALENTS AT END OF YEAR** \$ 9,484,733

Reconciliation of operating income to cash provided by operating activities:

Operating income	\$ 945,076
Depreciation	752,880
(Increase) Decrease in:	
Customer receivables, grants, and other receivables	(151,300)
Prepaid expense	(23,302)
Inventory	(2,760)
Increase (Decrease) in:	
Accounts payable	(348,680)
Compensated absences	6,054
Customer deposits	<u>(7,476)</u>
Net cash provided by operating activities	<u><u>\$ 1,170,492</u></u>

The accompanying notes are an integral part of these financial statements

# ARVIN COMMUNITY SERVICES DISTRICT

## NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2021

### Note 1 - Summary of Significant Accounting Policies - continued

#### 1-C. Basis of Accounting - continued

**Operating Revenues and Expenses** - 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. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities. Operating expenses result from transactions directly associated with the fund's principal services.

#### 1 - D. - Assets, Liabilities, and Net Position

##### **Cash and cash equivalents**

For purposes of the statement of cash flows, cash and cash equivalents are considered to be all highly liquid investments (including restricted assets) which are readily convertible into cash within ninety days of purchase.

##### **Inventories**

Inventories consist of residential water meters, pipes, and fittings. Inventory is valued at average cost based on a first-in, first-out (FIFO) inventory method.

##### **Capital Assets**

Capital assets are valued at cost when constructed or purchased. The District maintains a capitalization threshold of \$500. The cost of normal maintenance and repairs that do not add to the value of assets or materially extend asset lives, are not capitalized. Depreciation of capital assets placed in service is computed using the straight-line method over the useful lives of the capitalized assets and is reported as an operating expense. Capital projects are depreciated when the asset is placed in service. The ranges of estimated useful lives of capital assets are as follows:

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Buildings	39 years
Improvements	20-40 years
Equipment	5-10 years



# ARVIN COMMUNITY SERVICES DISTRICT

## NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2021

### Note 1 - Summary of Significant Accounting Policies - continued

#### 1 - D. Assets, Liabilities, and Net Position - continued

##### **Customer Deposits**

The District requires its customers to make a deposit before water services are provided. Deposits are also required to reopen an account after it is delinquent and closed. At June 30, 2021, customer deposits totaled \$70,251. The balance is reflected in the billing system, in which the District is required to maintain a cash balance equal to the amount of deposits on hand.

##### **Compensated Absences**

Employees of the District are entitled to paid vacation and sick leave, depending on job classification, length of service and other factors.

##### **Net Position**

The District utilizes a net position presentation in accordance with GASB Statement 34, Basic Financial Statements - Management's Discussion and Analysis - for State and Local Governments as amended by GASB 63. Net position is categorized as invested in capital assets, net of related debt, restricted components of net position and unrestricted components of net position. These categories are defined as follows:

*Invested in capital assets, net of related debt - The component of net position consists of capital assets, including restricted assets, net of accumulated depreciation and reduced by outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.*

*Restricted components of net position - This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources (if any) related to restricted assets, if the asset results from a resource flow that also results in the recognition of a liability will be liquidated with the restricted assets reported.*

# ARVIN COMMUNITY SERVICES DISTRICT

## NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2021

### Note 1 - Summary of Significant Accounting Policies - continued

#### 1 - D. Assets, Liabilities, and Net Position - continued

##### Net Position - continued

*Unrestricted components of net position* - This component of net position is the net amount of assets, deferred outflows of resources, liabilities (if any), and deferred inflows of resources (if any), that are not included in the determination of net investment in capital assets or the restricted component of net position.

##### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the District to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

##### Concentration of Credit Risk

Credit has and will be extended in the form of accounts receivable and service connection fees receivable to landowners and water users who are located primarily in the District's service area.

##### Fund Accounting

The District utilizes accounting for enterprise entities that account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

##### Subsequent Events

In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through January 8, 2022, the date the financial statements were available to be issued. There are no subsequent events considered material by management that would require disclosure in the financial statements.

## ARVIN COMMUNITY SERVICES DISTRICT

### NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2021

#### Note 1 - Summary of Significant Accounting Policies - continued

##### 1 - E. - New Accounting Pronouncements

#### GASB Postpones Effective Dates of Upcoming Pronouncements

Norwalk, CT May 8, 2020 - The Governmental Accounting Standards Board (GASB) today issued **Statement Number 95, *Postponment of the Effective Dates of Certain Authoritative Guidance***.

The Statement is intended to provide relief to governments and other stakeholders in light of the COVID-19 pandemic.

The guidance postpones by one year the effective date of certain provisions in the following pronouncements:

Statement Number 83, *Certain Asset Retirement Obligations*  
Statement Number 84, *Fiduciary Activities*  
Statement Number 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*  
Statement Number 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*  
Statement Number 90, *Majority Equity Interests*  
Statement Number 91, *Conduit Debt Obligations*  
Statement Number 92, *Omnibus 2020*  
Statement Number 93, *Replacement of Interbank Offered Rates*  
Implementation Guide Number 2017-3, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*  
Implementation Guide Number 2018-1, *Implementation Guidance Update - 2018*  
Implementation Guide Number 2019-1, *Implementation Guidance Update - 2019*  
Implementation Guide NUMBER 2019-2, *Fiduciary Activities*.

The Statement postpones the effective dates of the following pronouncements by 18 months:  
Statement Number 87, *Leases*

The provisions of Statement 95 are effective immediately. Statement 95 does not postpone the effective date of Statement 94, *Public -Private and Public -Private partnerships and Availability Payment Arrangements*, because the pandemic was factored into Statement 94's effective date.

## ARVIN COMMUNITY SERVICES DISTRICT

### NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2021

#### NOTE 2 - DEPOSITS AND INVESTMENTS

##### 2 - A. Summary of Deposits and Investments

Cash and investments at June 30, 2021 are classified in the accompanying financial statements as follows:

	Enterprise Fund
Cash on hand	\$ 1,503
Deposits:	
Deposits in financial institutions	9,138,844
Cash in County Pooled Investment Fund	344,386
Cash Investments - other	-
	<hr/>
Total Cash/Investments and Cash Equivalents	<u>\$ 9,484,733</u>

##### 2 - B. Policies and Practices

The California Government Code requires California banks and savings and loan associations to secure the District's cash deposits by pledging securities as collateral. The Government Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor.

The fair value of pledged securities must equal at least 110 percent of the District's cash deposits. California law also allows institution to secure District deposits by pledging first trust deed mortgage notes having a value of 150 percent of the District's total cash deposits. The District may waive collateral requirements for cash deposits that are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation. The District, however, has not waived the collateralization requirements.

Investment in County Treasury - The District maintains cash balances with the Kern County Treasurer in an investment pool. The pool is non-SEC registered, but is invested in accordance with California State Government Code. The Kern County Treasury Investment Oversight Committee oversees activity in the pool for compliance to policy and code requirements.

# ARVIN COMMUNITY SERVICES DISTRICT

## NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2021

### 2-C. General Authorizations

Except for investments by trustees of debt proceeds, the authority to invest District funds deposited with the County Treasury is delegated to the County Treasurer and Tax Collector. Additional information about the investment policy of the County Treasurer and Tax Collector may be obtained from its website. The table below identifies examples of the investment types permitted in the investment policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds	5 years	None	None
U. S. Treasury Obligations	5 years	None	None
State Obligations - CA and other	5 years	None	None
CA Local Agency Obligations	5 years	None	None
U. S. Agency Securities	5 years	None	None
Banker's Acceptances	180 days		None
			A-1: if the issuer has issued log-term debt it must be rated "A" without regard to modifiers
Commercial Paper - Select Agencies	270 days	25% of the Agency's Money	
			A-1: if the issuer has issued log-term debt it must be rated "A" without regard to modifiers
Commercial Paper - Other Agencies	270 days	40% of the Agency's Money	
Negotiable Certificates of Deposit	5 years		None
CD Placement Service	5 years		None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements and Securities Lending Agreements	92 days	20% of the value of the portfolio	None
Medium Term Notes	5years		"A" Rating
Mutual Funds & Money Market Funds	N/A		Multiple
Collateralized Bank Deposits	5 years	None	None
Mortgage Pass - Through Securities	5 years		"AA" Rating
Bank/Time Deposits	5 years	None	None
County Pooled Investment Funds	N/A	None	None
Joint Powers Authority Pool	N/A	None	None
Local Agency Investment (LAIF)	N/A	None	None
Voluntary Investment Program Fund	N/A	None	None

# ARVIN COMMUNITY SERVICES DISTRICT

## NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2021

### Note 2 - Cash Deposits and Investments - continued

#### 2 - D. Disclosures Related to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. All Agency investments are considered short-term investments with maturities of 12 months or less.

#### 2 - E. Disclosures Related to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will 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 is required to disclose the rating for all investments. Cash invested in the local Agency Investment Fund (LAIF) and the Kern County Treasury are considered "exempt from disclosure" under GASB Number 40. The investments held in cash with fiscal agent are federal treasury obligations and rated AAA at June 30, 2021.

#### 2 - F. Specific Identification

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuation is provided by the following schedule that shows the distribution of the District's investments by maturity:

<u>Investment Type</u>	<u>S &amp; P Rating</u>	<u>Maturity Days</u>	<u>Reported Value</u>	<u>Fair Market Value</u>
Kern County Treasury Pool	NA	384	<u>\$ 344,386</u>	<u>\$ 344,386</u>
Mutual Funds, Corporate debt and Equity instruments	NA	NA	<u>\$ -</u>	<u>\$ -</u>

# ARVIN COMMUNITY SERVICES DISTRICT

## NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2021

### Note 2 - Cash Deposits and Investments - continued

#### **2 - G. Custodial Credit Risk - Deposits**

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 not be able to recover collateral securities that are in the possession of an outside party. 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 deposits or investments, other than the following provision for deposits. The California Government Code requires that a financial institution secure deposits made 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 amount deposited by the public agencies.

GASB Statement Number 40 require that the following disclosure be made with respect to custodial credit risks relating to deposits and investments: none of the District's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts.

California law allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits.

As of June 30, 2021, the District's bank balance of \$1,814,924 (including the certificates of deposit) were insured, but \$1,564,924. was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

**ARVIN COMMUNITY SERVICES DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**Year Ended June 30, 2021**

**Note 3 - Receivables**

Receivables at June 30, 2021, consist of customer receivables, intergovernmental grants, and other local sources. With the exception of the Restitution - Kern County Probation Department, all receivables are considered collectible in full.

	<u>Enterprise Fund</u>
Ratepayers' accounts receivable	\$ 575,775
Due from State of California - Proposition 84	-
Federal grant receivable	-
Restitution - Kern County Probation Department	27,293
Allowance for doubtful collection	<u>(27,293)</u>
 Total Accounts Receivable	 <u><u>\$ 575,775</u></u>

**Note 4 - Property, Plant and Equipment**

	<u>Balances June 30, 2020</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balances June 30, 2021</u>
<b><u>Capital Assets Being Depreciated</u></b>				
Buildings	\$ 444,328	\$ -	\$ -	\$ 444,328
General Plant	954,992		-	954,992
Transmission and Distribution Facilities	3,647,700	3,145,978	-	6,793,678
Source of Supply	8,044,847	7,832,223	-	15,877,070
Pumping Plant	591,575	15,722	-	607,297
Total Capital Assets Being Depreciated	13,683,442	10,993,923	-	24,677,365
Total Accumulated Depreciation	<u>(5,204,742)</u>	<u>(752,880)</u>	-	<u>(5,957,622)</u>
Depreciable Assets, Net of Accumulated Depreciation	<u>8,478,700</u>	<u>10,241,043</u>	-	<u>18,719,743</u>
<b><u>Capital Assets Not Being Depreciated</u></b>				
Land	247,062	-	-	247,062
Construction in Progress	10,703,964		8,638,581	2,065,383
Total Capital Assets not Being Depreciated	<u>10,951,026</u>	-	<u>8,638,581</u>	<u>2,312,445</u>
<b>Total Capital Assets, Net of Accumulated Depreciation</b>	<u><u>\$ 19,429,726</u></u>	<u><u>\$ 10,241,043</u></u>	<u><u>\$ 8,638,581</u></u>	<u><u>\$ 21,032,188</u></u>



**ARVIN COMMUNITY SERVICES DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**Year Ended June 30, 2021**

**Note 5 - Accrued Liabilities**

Accrued liabilities at June 30, 2021 are as follows:

	<u><b>Enterprise Fund</b></u>
Accounts payable	\$ 99,290
Payroll and payroll related	17,238
Interest payable	-
Sick leave	17,084
Vacation	21,463
Credit cards	<u>370</u>
 Total accrued liabilities	 <u><u>\$ 155,445</u></u>

**Note 6 - LONG-TERM DEBT**

Note Payable State of California - State Water Resources  
Control Board Drinking Water State Revolving Fund  
Payment Schedule - Project Number 1510001 - 004P  
Agreement Number D1702012

Arvin Community Services District entered into a Agreement with the California State Water Resources Control Board on July 31, 2017 to provide a Planning Loan as a part of the Arsenic Mitigation Project - Phase II Test Wells & Project Design Program. The planning funded by this agreement is related to the possible construction / implementation project known as the Arsenic Mitigation - Phase II Test Wells and Design. This planning project will identify adequate test well locations, and evaluate water quality to ensure that no treatment would be required. The receipt of funding on this Agreement is not a commitment to and does not obligate the State Water Board to provide funding for any eventual construction/implementation project.

Amount of funding as per the Agreement is \$941,000. The eligible start date is February 1, 2017 and the work completion date is September 30, 2018. The State converted the loan to a zero interest note..

\$ 626,955

# ARVIN COMMUNITY SERVICES DISTRICT

## NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2021

### Note 6 - LONG-TERM DEBT - CONTINUED

Note Payable State of California - State Water Resources  
Control Board Drinking Water State Revolving Fund  
Payment Schedule - Project Number 1510001 - 003C  
Agreement Number D1802022

Arvin Community Services District entered into a Agreement with the California State Water Resources Control Board on April 12, 2019 to provide a Planning Loan as a part of the Arsenic Mitigation Project - Phase II Test Wells & Project Design Program. The planning funded by this agreement is related to the possible construction / implementation project known as the Arsenic Mitigation - Phase II Test Wells and Design. This planning project will identify adequate test well locations, and evaluate water quality to ensure that no treatment would be required. The receipt of funding on this Agreement is not a commitment to and does not obligate the State Water Board to provide funding for any eventual construction/implementation project.

Amount of funding as per the Agreement is \$4,716,393. The eligible start date is September 18, 2018 the work completion date is March 31, 2021. The State converted the loan to zero interest

	<u>4,716,393</u>
	5,343,348
Less, current maturities	<u>(180,011)</u>
	<u>\$ 5,163,337</u>

Maturities pf long-term debt for the next five years ended June 30, are as follows:

2022	180,011
2023	180,011
2024	180,011
2025	180,011
Thereafter	<u>4,623,304</u>
	<u>\$ 5,343,348</u>

## **ARVIN COMMUNITY SERVICES DISTRICT**

### **NOTES TO FINANCIAL STATEMENTS**

**Year Ended June 30, 2021**

#### **Note 7 - EMPLOYEE RETIREMENT SYSTEMS**

On January 11, 1988 the Board of Directors approved the establishment of a defined contribution pension plan (Money Purchase Plan) for the District's employees. This plan is presently administered by John Hancock on behalf of management. The contribution rate of the Money Purchase Plan is 7 percent of management's annual salary.

In 2003 non-management employees joined Labor Union Local Number 220. The District has paid into the local union's non-management employee's retirement fund since 2004. The non-management employee's retirement plan is currently administered by the Construction Laborers' Trust. The District's contribution rate is \$1.40 per hour for all eligible employees, including the general manager.

Contributions to retirement plans total \$32,297 for the year ended June 30, 2021.

#### **Note 8 - CONTINGENCIES**

The District is involved in various litigations arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2021.

#### **NOTE 9 - ADVERTISING COSTS**

The District expenses advertising costs as they are incurred. The District expensed no advertising costs for the year ended June 30, 2021.

#### **NOTE 10 - COVID-19**

December 2019 a novel strain of coronavirus spread around the world resulting in business and social disruption. On January 30, 2020 the coronavirus was declared a public health emergency of international concern by the World Health organization. The operations and business activity of the District could potentially be adversely affected by the global pandemic. The extent to which the pandemic may impact business activity or operational results will depend on future developments , which are uncertain and can not be predicted, including new information which may emerge concern ing the severity of the virus and the actions required to contain it. The District has not included any contingencies in the financial statements specific to this issue.

**ARVIN COMMUNITY SERVICES DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**Year Ended June 30, 2021**

**NOTE 11 - PRIOR PERIOD ADJUSTMENT**

The prior period adjustment represents the following element:

Funds received from the California - State Water Resources Control Board as per an Agreement and the terms of a Planning Loan as a part of the Arsenic Mitigation Project that were erroneously recorded as federal grant support in the amount of \$2,534,001 in the year ended June 30, 2020

Net position, June 30, 2020, previously reported	\$ 25,702,430
Prior period adjustment as per the description in prior paragraph	<u>(2,534,001)</u>
Net position, June 30, 2020 - restated	<u>\$ 23,168,429</u>

## **SUPPLEMENTARY INFORMATION**

**ARVIN COMMUNITY SERVICES DISTRICT**

**SCHEDULE OF OPERATING COSTS  
YEAR ENDED JUNE 30, 2021**

<b>OPERATING EXPENSES</b>	<b>Source of Supply</b>	<b>Pumping</b>	<b>Transmission and Distribution</b>	<b>Administrative and General</b>	<b>Total</b>
Salaries and wages	\$ -	\$ -	\$ 482,162	\$ 129,965	\$ 612,127
Benefits	-	-	26,696	5,601	32,297
Fuel		-	-	-	-
Supplies and services	9,064	-	542,201	256,110	807,375
Utilities	-	874,759	12,573	-	887,332
Repairs and maintenance	-	11,785	176,534	5,184	193,503
<b>Totals</b>	<b>\$ 9,064</b>	<b>\$ 886,544</b>	<b>\$ 1,240,166</b>	<b>\$ 396,860</b>	<b>\$ 2,532,634</b>

The accompanying notes are an integral part of these financial statements.

ARVIN COMMUNITY SERVICES DISTRICT

JUNE 30, 2021

*Budgetary Comparison*

The following table is a comparison of the Board approved budget for 2021 against actual.

	<u>Actual</u>	<u>Budget</u>	<u>Change</u>
Operating revenues:			
Water sales and services	\$ 4,215,809	\$ 3,869,780	\$ 346,029
Other operating revenues	2,798	350	2,448
	<hr/>	<hr/>	<hr/>
Total operating revenues	4,218,607	3,870,130	348,477
	<hr/>	<hr/>	<hr/>
Operating expenses:			
Source of supply	9,064	9,500	436
Pumping expense	886,544	648,500	(238,044)
Transmission and distribution	1,228,182	1,424,716	196,534
Administrative and general	396,860	453,575	56,715
Depreciation and amortization	752,880	500,000	(252,880)
	<hr/>	<hr/>	<hr/>
Total operating expenses	3,273,530	3,036,291	(237,239)
	<hr/>	<hr/>	<hr/>
Non-operating revenue (expenses)	6,893	8,835,100	(8,828,207)
	<hr/>	<hr/>	<hr/>
Income before contributions	951,970	9,668,939	(8,716,969)
	<hr/>	<hr/>	<hr/>
Capital contributions	1,489,275	-	1,489,275
	<hr/>	<hr/>	<hr/>
Change in net position	<u>\$ 2,441,244</u>	<u>\$ 9,668,939</u>	<u>\$ (7,227,695)</u>

Total operating revenue was above budgeted revenues due to increased metered water sales.

Total operating expenses were above budgeted expenses by \$237,239 due to higher than budgeted source of pumping and depreciation and amortization expense.

Actual Contributions of \$1,489,275 were greater than budgeted contributions.

**OTHER REPORTS REQUIRED UNDER  
GOVERNMENTAL AUDITING STANDARDS**



# Bill R. Walker

## Certified Public Accountant

### **Report of Independent Auditor's Report on Internal Control Over Financial Reporting and on Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

Board of Directors  
Arvin Community Services  
District  
Arvin, California

I have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Arvin Community Services District (District) which comprise the statement of net position as of June 30, 2021 and the related statements of revenues, expenses, and change in net position and cash flows for the year then ended, and the related notes to the financial statements and have issued my report thereon dated January 8, 2022.

#### **Internal Control Over Financial Reporting**

In planning and performing my audit of the financial statements, I considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I do not express an opinion on 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 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.

My 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. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As a part of obtaining reasonable assurance about whether Arvin Community Services District's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the result 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.

*Bill R. Walker*

Bill R. Walker  
Certified Public Accountant  
Bakersfield, California

January 8, 2022

**BILL R. WALKER**  
**Certified Public Accountant**

**Report of Independent Auditor on Compliance for the Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance**

Board of Directors  
Arvin Community Services District  
Arvin, California

**Report on Compliance for the Major Federal Program**

I have audited Arvin Community Services District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Arvin Community Services District's major federal program for the year ended June 30, 2021. Arvin Community Services District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

***Auditor's Responsibility***

My responsibility is to express an opinion on compliance for Arvin Community Services District's major federal program based on my audit of the types of compliance requirements referred to above. I conducted my 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). Those standards and the Uniform Guidance require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Arvin Community Services District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for the major federal program. However, my audit does not provide a legal determination of Arvin Community Services District's compliance.

***Opinion on the Major Federal Program***

In my opinion, Arvin 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 the major federal program for the year ended June 30, 2021.

**Report on Internal Control over Compliance**

Management of Arvin Community Services District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered Arvin Community Services District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Arvin Community Services District's internal control over compliance.

1805 Spring Grove Lane, Bakersfield, California 93311-1630  
Tel. 661-428-2919, Fax 661-369-7618, email [billwalkercpa@gmail.com](mailto:billwalkercpa@gmail.com)

*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.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of my 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.

*Bill R. Walker CPA*

Arvin, California  
January 8, 2022

**ARVIN COMMUNITY SERVICES DISTRICT**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2021**

<b>Federal Grantor/Pass Through Grantor/ Program or Cluster Title</b>	<b><u>CDFA Number</u></b>	<b><u>Pass- Through Entity Identifying Number</u></b>	<b><u>Federal Expenditures</u></b>	<b><u>Passed- Through to Subreipients</u></b>
Environmental Protection Agency	66.802	N/A	1,105,515	\$ -
<b>Total Environmental Protection Agency</b>			<u>1,105,515</u>	-
<b>Total Expenditure of Federal Awards</b>			<u><u>\$ 1,105,515</u></u>	<u><u>\$ -</u></u>

The accompanying notes are an integral part of these financial statements

**ARVIN COMMUNITY SERVICES DISTRICT**  
**Notes to Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2021**

**Note 1 - Summary of Significant Accounting Policies**

**A. Basis of Presentation**

The accompanying schedule of expenditures of federal awards (SEFA) presents the activity of all federal award programs of Arvin Community Services District (the District). Federal awards received directly from federal agencies as well as federal awards passed through other nonfederal agencies, primarily the State of California are included in the schedule. The information is presented in accordance with the 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). Because the schedule presents only a selected portion of the operations of the District, it is not intended to and do not present the financial position, changes in net assets, net position, fund balance, or cash flows of the District. The District's reporting entity is defined in Note 1 to the District's financial statements.

**B. Accounting Policies**

Expenditures reported in the schedule are reported on the accrual basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in the , wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**C. Relationship to Basic Financial Statements**

Amounts reported agree or can be reconciled with the amounts reported in the District's financial statements.

**Note 2 - Indirect Cost Rate**

The District has elected not to use the 10% de minimus cost rate allowed under the Uniform Guidance.

**Note 3 - Catalog of Federal Domestic Assistance (CFDA) Numbers**

The CFDA numbers included in the accompanying SEFA were determined based on the program name, review of grant information, and the Office of Management and Budget's Catalog of Domestic Assistance.

**Note 4 - Direct and Indirect (Pass-Through) Federal Awards**

Federal awards may be granted directly to the District by a federal granting agency or may be granted to other government agencies which pass-through federal awards to the District. The Schedule includes both of these types of Federal award programs as they occur.

**ARVIN COMMUNITY SERVICES DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2021**

**SECTION I - Summary of Auditor Results**

**Financial Statements**

Type of report auditor issued on whether the financial statements audited were prepared in accordance with GAAP:  
Internal control over financial reporting

<i>Unmodified</i>	
Yes	No
X	
	X
	X
	X

Material weakness(es) identified?  
Significant deficiencies identified?

Noncompliance materials to financial statements noted?

**Federal Awards**

Internal control over major federal programs:  
Material weakness(es) identified?  
Significant deficiencies identified?

	X
	X

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

	X
--	---

Identification of major federal programs and type of auditor's report issued on compliance for major federal programs:

CDFA Number(s)	Name of Federal Program or Cluster	Type of Auditor's Report Issued on Compliance for Major Federal Programs
----------------	------------------------------------	--

**Capitalization Grants for Drinking Water**

**66.802**

**State Revolving Funds**

**Unmodified**

Dollar threshold used to distinguish between type A and type B programs:

**\$750,000**

Auditee qualified as low-risk auditee?

Yes

No

**SECTION II - Financial Statement Findings**

None Reported.

**SECTION III - Federal Award Findings and Questioned Costs**

None Reported.

**ARVIN COMMUNITY SERVICES DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2021**

**No prior findings.**