

**ARVIN COMMUNITY SERVICES DISTRICT**

**BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**JUNE 30, 2022**

**(With Independent Auditor's Report Thereon)**

**Bill R. Walker**  
**Certified Public Accountant**

ARVIN COMMUNITY SERVICES DISTRICT  
OF KERN COUNTY

ARVIN , CALIFORNIA

JUNE 30, 2022

BOARD of DIRECTORS

<u>NAME</u>	<u>OFFICE</u>	<u>EXPIRATION of TERM</u>
Maria Alvarez	President	December 2024
Aurelio Reyna	Vice President	December 2026
Rafael Gallardo	Director	December 2026
Maria Pantoja	Director	December 2024
Adam Ojeda	Director	December 2026

OFFICERS / PERSONNEL

Raul Barraza	General Manager, Secretary - Treasurer
Ana Mendiola	Clerk III
Juanita Lopez	Clerk III
Jennifer Gomez	Part-time Clerk
Alexis Gaona	Chief Operator
Joe Rodriquez	Utility Worker III
Efren Alvarez, Jr.	Utility Worker III
Jessie Chavez, Jr.	Utility Worker I
Michael Chavez, Jr.	Laborer
Water Consumption:	100,216,850 Cubic Feet
Number of Accounts:	4106

**ARVIN COMMUNITY SERVICES DISTRICT**  
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**JUNE 30, 2022**

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**FINANCIAL SECTION**

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**BILL R. WALKER**  
Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Arvin Community Services District  
Arvin, California

**Report on the Financial Statements**

***Opinions***

I have audited the financial statements of the business-type activities and the aggregate remaining fund information of the Arvin Community Services District (the District) as of and for the year ending June 30, 2022, 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 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 Arvin Community Services District as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinions***

I conducted my audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State Controllers Minimum Audit Requirements for California Special Districts. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the District and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

***Responsibilities of Management 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, and for the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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Tel. 661-428-2919, Fax 661-369-7618, [billwalkercpa@gmail.com](mailto:billwalkercpa@gmail.com)

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*

My 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 my 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 GAAS 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 GAAS and *Government Auditing Standards*, I

- 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 to 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 my 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.

I am 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 I 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 listed in the table of contents 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 which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historic context. I have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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 I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standard*, I have also issued my report dated June 13, 2023, on my consideration of Arvin Community Services District's control over financial reporting and on 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 control over financial reporting or 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 or compliance.

***Bill R. Walker CPA***

Bill R. Walker  
Certified Public Accountant  
Bakersfield, California  
June 13, 2023

ARVIN COMMUNITY SERVICES DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
JUNE 30, 2022

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, 2022. Please read it in conjunction with the District's financial statements, which follow in this section.

*Financial Highlights*

The District's total net position increased \$ 616,676 or 2.4% over the course of the year's operations. This increase was primarily related to operating expenses increasing \$771,011 or 23.6% for the fiscal year ended June 30, 2022.

The District's total operating revenue increased \$249,423 or 5.9% during the year ended June 30, 2022. The components of the increase are as follows:

(Decrease) in business, commercial, and residential water sales water sales	\$ (175,698)
Increase in fees and permits	<u>425,121</u>
Increase in total operational revenue	<u><u>\$ 249,423</u></u>

The District's operating expenses increased \$771,011 or 23.6% during the fiscal year ended June 30, 2022.

The District's capital assets, before accumulated depreciation increased \$2,458,559 or, 9.9% during the fiscal year ended June 30, 2022 as a result of operational fixed assets transitioning from Construction in Progress.

ARVIN COMMUNITY SERVICES DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
JUNE 30, 2022

*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, 2022

*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, 2022 and 2021

	2022	2021	Dollar Change	Percent Change
Current Assets	\$ 9,137,276	\$ 10,128,722	\$ (991,446)	-9.8%
Capital Assets	23,285,153	21,032,188	2,252,965	10.7%
Other Assets	4,194	5,823	(1,629)	-28.0%
<b>Total Assets</b>	<b>\$ 32,426,623</b>	<b>\$ 31,166,733</b>	<b>\$ 1,259,890</b>	<b>4.0%</b>
Current Liabilities	\$ 488,703	\$ 213,712	\$ 274,991	128.7%
Long- Term Debt	5,711,571	5,343,348	368,223	6.9%
Other Liabilities	-	-	-	-
<b>Total Liabilities</b>	<b>6,200,274</b>	<b>5,557,060</b>	<b>643,214</b>	<b>11.6%</b>
Unrestricted Net Position	8,874,388	9,903,026	(1,028,638)	-10.4%
Invested in Capital Assets, net of Related Debt	17,351,961	15,706,647	1,657,298	10.6%
<b>Total Equity</b>	<b>26,226,349</b>	<b>25,609,673</b>	<b>616,676</b>	<b>2.4%</b>
<b>Total Liabilities and Equity</b>	<b>\$ 32,426,623</b>	<b>\$ 31,166,733</b>	<b>\$ 1,259,890</b>	<b>4.0%</b>

As can be seen from the table above, total assets increased \$1,259,890 to \$32,426,623 at June 30, 2022 up from \$31,166,733 at June 30, 2021. The increase in total assets of the District was composed of three factors: current assets decreased \$991,446, capital assets net of depreciation increased \$2,252,965, and other assets decreased \$1,629.

ARVIN COMMUNITY SERVICES DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
JUNE 30, 2022

Table A-2 Condensed Statements of Revenues and Expenses and  
Changes in Net Position  
Year Ended June 30, 2022 and 2021

	2022	2021	Dollar Change	Percentage Change
<b>REVENUE</b>				
Operating Revenues	\$ 4,468,029	\$ 4,218,606	\$ 249,423	5.9%
Non-operating Revenues	3,810	6,964	(3,154)	-45.3%
Total Revenues	4,471,839	4,225,570	246,269	5.8%
<b>EXPENSES</b>				
Operating Expenses	4,044,541	3,273,530	771,011	23.6%
Non-operating Expenses	17,504	71	17,433	100+%
Total Expenses	4,062,045	3,273,601	788,444	24.1%
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS</b>	409,794	951,969	(542,175)	57.0%
<b>CONTRIBUTIONS</b>				
Capital contributions, including Grants	206,882	1,489,275	(1,282,393)	-86.1%
<b>CHANGE IN NET POSITION</b>	616,676	2,441,244	(1,824,568)	-74.7%
<b>NET POSITION, BEGINNING OF YEAR</b>	25,609,673	23,168,429	2,441,244	10.5%
<b>NET POSITION, END OF YEAR</b>	\$ 26,226,349	\$ 25,609,673	\$ 616,676	2.4%

The District's operating revenues increased \$249,243 to \$4,468,029 during the year ended June 30, 2022 from \$4,218,606 during the year ended June 30, 2021. The District's non-operating revenues decreased \$3,154 to \$3,810 during the year ended June 30, 2022, from \$6,964 during the year ended June 30, 2021.

The District's operating expenses increased \$771,011 to \$4,044,541 during the year ended June 30, 2022 from \$3,273,530 during the year ended June 30, 2021.

The District's non-operating expenses increased \$17,433 to \$17,504 during the year ended June 30, 2022 from \$71 during the year ended June 30, 2021.

The District's capital contributions, including Developer Fees and Grants, decreased \$ 1,282,393 to \$206,882 during the year ended June 30, 2022, from \$ 1,489,275 during the year ended June 30, 2021.

ARVIN COMMUNITY SERVICES DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
JUNE 30, 2022

Table A-3  
Schedule of Capital Assets  
Year Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
<i><u>Capital Assets Being Depreciated</u></i>				
Transmission and Distribution Facilities	\$ 7,552,531	\$ 6,793,678	\$ 758,853	11.2%
Source of Supply	17,536,583	15,877,071	1,659,512	10.5%
Pumping Plant	607,297	-	607,297	0.0%
General Plant	<u>1,439,514</u>	<u>1,399,320</u>	<u>40,194</u>	<u>2.9%</u>
Total Capital Assets Being Depreciated	27,135,925	24,070,069	3,065,856	5.6%
Less, Accumulated Depreciation	<u>(6,888,951)</u>	<u>(5,957,622)</u>	<u>(931,329)</u>	<u>8.6%</u>
Depreciable Assets, Net of Accumulated Depreciation	<u>\$ 20,246,974</u>	<u>\$ 18,112,447</u>	<u>\$ 2,134,527</u>	<u>11.8%</u>
<i><u>Capital Assets Not Being Depreciated</u></i>				
Land	247,062	247,062	-	-
Construction in Progress	<u>2,791,117</u>	<u>2,065,384</u>	<u>725,733</u>	<u>35.1%</u>
Total Capital Assets not Being Depreciated	<u>3,038,179</u>	<u>2,312,446</u>	<u>725,733</u>	<u>31.4%</u>
Total Capital Assets , Net of Accumulated Depreciation	<u>\$ 23,285,153</u>	<u>\$ 20,424,893</u>	<u>\$ 2,860,260</u>	<u>14.0%</u>

ARVIN COMMUNITY SERVICES DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
JUNE 30, 2022

Table A-3  
Schedule of Long-Term Debt  
Year Ended June 30, 2022 and 2021

	<u>July 1, 2021</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2022</u>	<u>Current Portion</u>
Note Payable - State of California - State Water Resources Control Board Drinking Water State Revolving Fund Project Number 1510001-004P Agreement Number - D1702012	\$ 626,955	\$ -	\$ 34,198	\$ 592,757	\$ 34,237
Note Payable - State of California-State Water Resources Control Board Drinking Water State Revolving Fund Project Number - 1510001-003C Agreement Number - D18002022	<u>4,637,786</u>	<u>890,033</u>	<u>187,384</u>	<u>5,340,435</u>	<u>187,384</u>
	<u>\$ 5,264,741</u>	<u>\$ 890,033</u>	<u>\$ 221,582</u>	<u>\$ 5,933,192</u>	<u>\$ 221,621</u>

ARVIN COMMUNITY SERVICES DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
JUNE 30, 2022

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

The District was about 97% complete on June 30, 2022, with the Arsenic Mitigation Project Phase II. Well Number 18 needs PG&E to complete their portion of the work and emergency generator needs to be installed. The contractor W.M. Lyles was awarded the contract in April of 2019. Their portion of the project was valued at \$11.2, which included the development and construction of 3 new well 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, site security system, SCADA integration, and 17,000 ft. of 12" and 24" underground distribution piping.

The District is also planning on completing a 1.52 Mego Watt System Solar Project. The project will consist of 2,820 mounted solar panels on a single axis tracker system on 6 acres leased from the City of Arvin. The total project cost, including contingency and closing costs, will be about \$7.3 million with a 30-year net projected savings of \$70.7 million.

The budget for fiscal year 2023-2024 and future years indicated, will include capital improvements.

- 1) Water Meter Replacement Program - \$100,000 for the next year to replace older meters and make all of them radio read to minimize time spent reading.
- 2) Hydro Excavation Trailer - \$80,000 for the next fiscal year.
- 3) Valve Exercising Program and Valve Replacement- \$250,000 proposed per year, for the next (3) years.

*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.

# **FINANCIAL STATEMENTS**

**ARVIN COMMUNITY SERVICES DISTRICT**

**PROPRIETARY FUND TYPE - ENTERPRISE FUND  
STATEMENT OF NET POSITION  
YEAR ENDED JUNE 30, 2022**

**ASSETS**

Current assets

Cash	\$ 8,474,621
Receivables	547,937
Prepaid expenses	61,065
Inventory	<u>53,653</u>

Total current assets 9,137,276

Non-current assets

Depreciable fixed assets, net of accumulated depreciation	20,246,974
Non-depreciable fixed assets	3,038,179
Special assessment receivable	<u>4,194</u>

Total non-current assets 23,289,347

**Total Assets** 32,426,623

**LIABILITIES**

Current liabilities

Accrued liabilities	190,731
Customer deposits	76,351
Note payable, due in one year	<u>221,621</u>

Total current liabilities 488,703

Non-current liabilities

Long-term debt, net of current portion	<u>5,711,571</u>
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Total long-term liabilities 5,711,571

**Total Liabilities** 6,200,274

**NET POSITION**

Invested in capital assets - net of related debt	17,351,961
Unrestricted	<u>8,874,388</u>

**Total Net Position** 26,226,349

**Total Liabilities and Net Position** \$ 32,426,623

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, 2022**

**OPERATING REVENUE**

Water sales	\$ 3,981,085
Fees and permits	486,944
	<hr/>
Total operating revenue	4,468,029

**OPERATING EXPENSES**

Source of supply	11,528
Pumping	935,239
Transmission and distribution	1,563,943
Administration and general	569,902
Depreciation	963,929
	<hr/>
Total operating expenses	4,044,541

**OPERATING INCOME**

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423,488

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

Interest income	3,810
Interest expense	(380)
(Loss) on asset sale	(13,604)
Ground management SGMA	(3,520)
	<hr/>
Total non-operating (expenses)	(13,694)

**INCOME BEFORE CONTRIBUTIONS**

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409,794

Capital Contributions

Developer fees	140,260
Federal grant support	66,622
State grant support (reimbursement)	-
	<hr/>

Total capital contributions 

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206,882

**CHANGE IN NET POSITION**

616,676

**NET POSITION - BEGINNING OF YEAR**

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25,609,673

**NET POSITION - END OF YEAR**

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\$ 26,226,349

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, 2022**

**Cash flows from operating activities**

Cash receipts from customers	\$ 3,377,007
Cash payments to employees for salaries and benefits	(750,970)
Cash payments to suppliers for goods and services	<u>(1,896,033)</u>
Net cash provided by operating activities	<u>730,004</u>

**Cash flows from capital and related financing**

Receipt of state grant	-
Receipt of federal grant	140,260
Receipt of developer fees	66,622
Purchase of capital assets	(1,732,826)
Proceeds from sale of assets	3,600
Non-operating revenue	-
Principal paid on reduction of long-term debt	(221,582)
Net cash (used) by capital and related financing	<u>(1,743,926)</u>

**Cash flows from investing activities**

Interest received	<u>3,810</u>
Net cash provided by investing activities	<u>3,810</u>

**NET (DECREASE) IN CASH**

(1,010,112)

**CASH AT BEGINNING OF YEAR**

9,484,733

**CASH AT END OF YEAR**

\$ 8,474,621

Reconciliation of operating income to cash provided by operating activities:

Operating income	\$ 423,488
Depreciation	963,929
(Loss) on sale of assets	13,604
(Increase) Decrease in:	
Customer receivables, grants, and other receivables	27,838
Prepaid expense	(15,799)
Inventory	(30,705)
Construction in progress	(693,237)
Increase (Decrease) in:	
Accrued liabilities	35,286
Customer deposits	<u>5,600</u>
Net cash provided by operating activities	<u>\$ 730,004</u>

The accompanying notes are an integral part of these financial statements

# ARVIN COMMUNITY SERVICES DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022

### Note 1 - Summary of Significant Accounting Policies

#### 1-A. Financial Reporting Entity

The Arvin Community Services District (District) was formed on November 20, 1956 to provide municipal water service for the residents of the Arvin area. Arvin became an incorporated city in 1962 but did not assume the responsibility for water service. The District provides municipal water service to approximately 4,106 customers in the City of Arvin and surrounding county area. The district is governed by an elected five member Board of Directors.

#### 1-B. Basis of Presentation

**Fund Financial Statements** - The fund financial statements provide information about the District's funds, including its fiduciary funds.

*Proprietary fund types* are used to account for activities that are more business-like than government-like in nature. Business-type activities include those for which a fee is charged to external users, normally on a full cost-recovery basis. Proprietary funds are generally intended to be self-supporting.

**Enterprise Fund**-The District accounts for its activity using an enterprise fund, which is on the accrual basis. Capital assets and long-term debt (including all long-term debt obligations such as vacation pay and capital leases) are recorded in the fund. All revenues and expenses (rather than expenditures) are recorded, regardless of when they are received or paid. Depreciation of capital assets is recorded.

*Fiduciary fund types* are used to account for assets held by the District in a trustee capacity for others that cannot be used to support the District's own programs.

**Retiree Benefit Fund** - This fund exists to account separately for amounts held in trust for the District's Money Purchase Plan. The District contributes to the Fund through an agreement with management - 7% of the manager's salary.

#### 1-C. Basis of Accounting

The proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus. The proprietary and fiduciary fund financial statements 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.

Net Position should be reported as restricted when constraints placed on net position use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

**ARVIN COMMUNITY SERVICES DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**Year Ended June 30, 2022**

**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, 2022

### 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, 2022, customer deposits totaled \$76,351. 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, 2022

### 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 June 13, 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, 2022**

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

**1 - E. - New Accounting Pronouncements**

**GASB Postpones Effective Dates of Upcoming Pronouncements**

Norwalk, CT May 8, 2022 - 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, 2022

#### NOTE 2 - DEPOSITS AND INVESTMENTS

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

Cash and investments at June 30, 2022 are classified in the accompanying financial statements as follows:

	Enterprise Fund
Cash on hand	\$ 2,003
Deposits:	
Deposits in financial institutions	8,104,246
Cash in County Pooled Investment Fund	361,995
Cash Investments - other	<u>6,377</u>
Total Cash/Investments and Cash Equivalents	<u>\$ 8,474,621</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.

The Fair Value Level of funds in the Kern County Investment Pool is Level 2.

# ARVIN COMMUNITY SERVICES DISTRICT

## NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2022

### 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, 2022

### 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, 2022.

#### 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>\$ 361,995</u>	<u>\$ 361,995</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, 2022

### 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, 2022, the District's bank balance of \$1,688,672 (including the certificates of deposit) were insured, but \$6,785,949. 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.

#### **2 -H. Income and Receivables**

Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts: however, the effect of using the direct-writeoff method is not materially different from the results that would have been obtained under the allowance method.

**ARVIN COMMUNITY SERVICES DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**Year Ended June 30, 2022**

**Note 3 - Receivables**

Receivables at June 30, 2022, 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	\$ 562,024
Due to State of California - Proposition 84	(14,087)
Federal grant receivable	-
Restitution - Kern County Probation Department	27,293
Allowance for doubtful collection	<u>(27,293)</u>
 Total Accounts Receivable	 <u><u>\$ 547,937</u></u>

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

	Balances June 30, 2021	Additions	Disposals	Balances June 30, 2022
<b><u>Capital Assets Being Depreciated</u></b>				
Buildings	\$ 444,328	\$ -	\$ -	\$ 444,328
General Plant	954,991	90,000	49,805	995,186
Transmission and Distribution Facilities	6,793,678	758,853	-	7,552,531
Source of Supply	15,877,071	1,659,511	-	17,536,582
Pumping Plant	<u>607,297</u>		-	<u>607,297</u>
Total Capital Assets Being Depreciated	24,677,365	2,508,364	49,805	27,135,924
Total Accumulated Depreciation	<u>(5,957,622)</u>	<u>(966,607)</u>	<u>35,279</u>	<u>(6,888,950)</u>
Depreciable Assets, Net of Accumulated Depreciation	<u>18,719,743</u>	<u>1,541,757</u>	<u>-</u>	<u>20,246,974</u>
<b><u>Capital Assets Not Being Depreciated</u></b>				
Land	247,062	-	-	247,062
Construction in Progress	<u>2,065,384</u>	<u>2,504,446</u>	<u>1,778,713</u>	<u>2,791,117</u>
Total Capital Assets not Being Depreciated	<u>2,312,446</u>	<u>2,504,446</u>	<u>1,778,713</u>	<u>3,038,179</u>
<b>Total Capital Assets, Net of Accumulated Depreciation</b>	<u><u>\$ 21,032,189</u></u>	<u><u>\$ 4,046,203</u></u>	<u><u>\$ 1,778,713</u></u>	<u><u>\$ 23,285,153</u></u>

# ARVIN COMMUNITY SERVICES DISTRICT

## NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2022

### Note 5 - Accrued Liabilities

Accrued liabilities at June 30, 2022 are as follows:

	<u>Enterprise Fund</u>
Accounts payable	\$ 125,466
Payroll and payroll related	22,736
Interest payable	-
Sick leave	19,305
Vacation	18,720
Credit cards	4,504
	<hr/>
Total accrued liabilities	<u>\$ 190,731</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 \$744,361. 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 with a term of 30 years

\$ 592,757

# ARVIN COMMUNITY SERVICES DISTRICT

## NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2022

### 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.

The amount of funding as per the Agreement is \$5,606,425. The eligible start date is September 18, 2018 the work completion date is March 31, 2021. The State converted the loan to zero interest, with a term of 30 years

5,340,435

5,933,192

Less, current maturities

(221,621)

\$ 5,711,571

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

2023	221,621
2024	221,621
2025	221,621
2026	221,621
Thereafter	<u>5,046,708</u>
	<u>\$ 5,933,192</u>

## **ARVIN COMMUNITY SERVICES DISTRICT**

### **NOTES TO FINANCIAL STATEMENTS**

**Year Ended June 30, 2022**

#### **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 administrated 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 \$10,400 for the year ended June 30, 2022.

#### **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, 2022.

#### **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, 2022.

#### **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.

#### **NOTE 11 - CAPITALIZATION OF INTEREST COST**

All construction loans are zero interest. Capitalization of interest per FASB Statement 34 is not required.

**REQUIRED SUPPLEMENTARY INFORMATION**

**ARVIN COMMUNITY SERVICES DISTRICT**

**SCHEDULE OF OPERATING COSTS  
YEAR ENDED JUNE 30, 2022**

<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	\$ -	\$ -	\$ 534,670	\$ 216,300	\$ 750,970
Benefits	-	-	33,529	8,506	42,035
Fuel	-	-	-	-	-
Supplies and services	11,528	-	511,228	345,096	867,852
Utilities	-	889,074	-	-	889,074
Repairs and maintenance	-	46,165	484,516	-	530,681
<b>Totals</b>	<b>\$ 11,528</b>	<b>\$ 935,239</b>	<b>\$ 1,563,943</b>	<b>\$ 569,902</b>	<b>\$ 3,080,612</b>

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



**ARVIN COMMUNITY SERVICES DISTRICT**  
**Statements of Revenues and Expenses and Changes in Net Position-**  
**Budget and Actual**  
**For the Year Ended June 30, 2022**

	<u>BUDGETED AMOUNTS</u>	<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH BUDGET POSITIVE (NEGATIVE)</u>
<b>Operating revenues</b>			
Water sales	\$ 3,962,925	\$ 3,981,085	\$ 18,160
Fees and permits	211,000	486,944	275,944
	<u>4,173,925</u>	<u>4,468,029</u>	<u>294,104</u>
<b>Operating expenses</b>			
Source of supply	9,500	11,528	(2,028)
Pumping	848,500	935,239	(86,739)
Transmission and distribution	1,348,500	1,563,943	(215,443)
Administration and general	412,875	569,902	(157,027)
Depreciation expense	500,000	963,929	(463,929)
	<u>3,119,375</u>	<u>4,044,541</u>	<u>(925,166)</u>
Total operating expenses	<u>3,119,375</u>	<u>4,044,541</u>	<u>(925,166)</u>
Operating Income (Loss)	<u>1,054,550</u>	<u>423,488</u>	<u>(631,062)</u>
<b>Nonoperating revenue (expense)</b>			
Interest income	80,300	3,810	(76,490)
Interest expense	(100)	(380)	(280)
(Loss) on asset sale	-	(13,604)	(13,604)
Ground management SGMA	-	(3,520)	(3,520)
	<u>80,200</u>	<u>(13,694)</u>	<u>(93,894)</u>
Total nonoperating revenues	<u>80,200</u>	<u>(13,694)</u>	<u>(93,894)</u>
<b>Income before contributions</b>	<u>1,134,750</u>	<u>409,794</u>	<u>(724,956)</u>
Capital contributions			
Developer fees	-	140,260	140,260
Federal grant support	-	66,622	66,622
State grant support	-	-	-
	<u>-</u>	<u>206,882</u>	<u>206,882</u>
<b>Change in net position</b>	<u>\$ 1,134,750</u>	<u>\$ 616,676</u>	<u>\$ (518,074)</u>

See independent accountant's audit report and notes to financial statements.

**OTHER REPORTS REQUIRED UNDER GOVERNMENTAL  
AUDITING STANDARDS**

# Bill R. Walker

## Certified Public Accountant

### **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  
Arvin Community Services  
District  
Bakersfield, 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) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued my report thereon dated June 13, 2023.

#### **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

June 13, 2023