

Copper Valley Community Services District Special

Meeting of February 15, 2022

AGENDA SUPPORTING DATA

7. DISCUSSION AND ACTION ITEMS

- a) Presentation, Review and Acceptance of the 2020/21 Fiscal Year Audited Financial Statements, Auditor's Required Communications Report and Waiving the Need for the Management Discussion and Analysis.

Recommended Motion

I move to accept and file the 2020/21 Fiscal Year Audited Financial Statements, Auditor's Required Communications Report and Waive the Need for the Management Discussion and Analysis.

Background

California law requires that the District hire a qualified independent auditing firm to perform an annual audit to review our financial statements to ensure that they are prepared in accordance with Generally Accepted Accounting Principles and various government auditing standards. As the Board cannot possibly be heavily involved in, and fully understanding of the daily financial affairs of the District, the Board hires a Manager and authorizes other staff or consultant positions to handle the routine financial matters. The Board adopts policies to guide how budgets are developed, and how money is spent, accounted for and the results reported to the Board. The auditor, working with management and on behalf of the Board will also test portions of the financial transactions to determine compliance with current Board policy.

Larry Bain, CPA was engaged to conduct the audit for the 2020/21 fiscal year. The final draft audit was sent out and is attached for your review and acceptance. Mr. Bain will be in attendance to discuss the audit and answer questions from the Board and public during this meeting.

One of the primary duties of the Board is their fiduciary responsibility with regard to District finances. The Board must establish policies and ensure that the procedures and practices of District management provide the highest level of protection of public funds, and that these funds are invested in appropriate activities and means to achieve the level of service desired by the community, through this Board. The only way for the Board to confirm that this is occurring is to receive accurate and timely financial reporting.

As stated in the audit report, the auditor is not engaged to find every potential flaw in our financial system, but is required to report publicly to the Board if there are material weaknesses or breaches in our financial systems where policy was not followed, or methods were discovered where a substantial risk of fraud, embezzlement or other financial crimes could occur without immediate notice by management and/or the Board. The auditor will also make findings and recommendations for changes to our financial systems if they feel that material weaknesses could occur, or if there are actions that put the District at financial risk.

**COPPER VALLEY
COMMUNITY SERVICES DISTRICT**

**FINANCIAL STATEMENTS
Modified Cash Basis**

FISCAL YEAR ENDED JUNE 30, 2021

COPPER VALLEY COMMUNITY SERVICES DISTRICT

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LARRY BAIN, CPA

An Accounting Corporation

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Copper Valley Community Services District
Copperopolis, California

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities and fund information of Copper Valley Community Services District as of and for the fiscal year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our Responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion the basic financial statements referred to above present fairly, in all material respects, the respective financial position-modified cash basis of the governmental activities and fund information of the Copper Valley Community Services District as of June 30, 2021, and the respective changes in financial position-modified cash basis, thereof for the fiscal year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to the matter.

Other Matters

Required Supplementary Information

The Copper Valley Community Services District has not presented the Management Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Accounting principles generally accepted in the United States of America require that the supplementary information other than MD&A, as listed in the table of contents as the budgetary comparison for the General fund on page 18 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 (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Larry Bain, CPA,
An Accounting Corporation
January 5, 2022

COPPER VALLEY COMMUNITY SERVICES DISTRICT

**Statement of Net Position
Modified Cash Basis
June 30, 2021**

	<u>Governmental Activities</u>
Assets	
Current Assets	
Cash and investments	\$ 1,141,849
Restricted cash	212,373
Total current assets	<u>1,354,222</u>
Capital Assets:	
Easements	10,344,000
Construction in progress	-
Equipment	522,776
Buildings	136,427
Infrastructure-Roads	4,377,023
Less: accumulated depreciation	<u>(1,411,348)</u>
Total capital assets-net	<u>13,968,878</u>
Total assets	<u>15,323,100</u>
Liabilities	
Current Liabilities	
Current portion of long-term debt	<u>159,982</u>
Long Term Liabilities	
Long-term portion of installment debt	1,706,129
Long-term portion of capital lease	19,049
Total long-term liabilities	<u>1,725,178</u>
Total liabilities	<u>1,885,160</u>
Net Position	
Net investment in capital assets	12,083,718
Restricted debt proceeds	212,373
Unrestricted	1,141,849
Total net position	<u>\$ 13,437,940</u>

The notes to the modified cash basis financial statements are an integral part of this statement

COPPER VALLEY COMMUNITY SERVICES DISTRICT

**Statement of Activities
Modified Cash Basis
For the Fiscal Year Ended June 30, 2021**

	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Capital grants and contributions</u>	<u>Total</u>
Governmental Activities:				
Community service	\$ 1,099,778	\$ 1,321,350	\$ -	\$ 221,572
Interest expense	54,139			(54,139)
Total Governmental activities	<u>\$ 1,153,917</u>	<u>\$ 1,321,350</u>	<u>\$ -</u>	<u>\$ 167,433</u>
General Revenues:				
Investment income				1,208
Gain on sale of assets				14,500
Other				12,308
Total general revenues				<u>28,016</u>
Change in net position				195,449
Net position - beginning				<u>13,242,491</u>
Net position - ending				<u>\$ 13,437,940</u>

The notes to the modified cash basis financial statements are an integral part of this statement

COPPER VALLEY COMMUNITY SERVICES DISTRICT

**Balance Sheet
Governmental Funds
Modified Cash Basis
June 30, 2021**

	General Fund	Totals Governmental Funds
	<u> </u>	<u> </u>
Assets		
Cash and investments	\$ 1,141,849	\$ 1,141,849
Restricted cash	212,373	1,382,648
Total assets	<u>\$ 1,354,222</u>	<u>\$ 2,524,497</u>
Fund Balance		
Restricted debt proceeds	\$ 212,373	\$ 212,373
Unassigned	1,141,849	1,141,849
Total fund balance	<u>\$ 1,354,222</u>	<u>\$ 1,354,222</u>

The notes to the modified cash basis financial statements are an integral part of this statement

COPPER VALLEY COMMUNITY SERVICES DISTRICT

**Reconciliation of the Governmental Funds Balance Sheet,
To The Statement of Net Position
Modified Cash Basis
June 30, 2021**

Fund balances of governmental funds	\$ 1,354,222
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets, net of accumulated depreciation, are not current financial resources and are not included in the governmental funds.	13,968,878
Long term debt is not due and payable in the current period and therefore is not reported in the funds	<u>(1,885,160)</u>
Net position of governmental activities	<u>\$ 13,437,940</u>

The notes to the modified cash basis financial statements are an integral part of this statement

COPPER VALLEY COMMUNITY SERVICES DISTRICT

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Modified Cash Basis
For the Fiscal Year Ended June 30, 2021**

	General Fund	Total Governmental Funds
	<u> </u>	<u> </u>
Revenues		
Use of money and property	\$ 1,208	\$ 1,208
Special assessment	1,321,350	1,321,350
Other	<u> 12,308</u>	<u> 12,308</u>
Total revenues	<u>1,334,866</u>	<u>1,334,866</u>
Expenditures		
Current:		
Community services	921,266	921,266
Debt		
Principal	168,709	168,709
Interest	54,139	54,139
Capital expense	<u>1,177,306</u>	<u>1,177,306</u>
Total expenditures	<u>2,321,420</u>	<u>2,321,420</u>
Excess (deficit) of revenues over expenditures before other financing sources	<u>(986,554)</u>	<u>(986,554)</u>
Other financing sources-sale of assets	<u> 14,500</u>	<u> 14,500</u>
Net change in fund balances	<u>(972,054)</u>	<u>(972,054)</u>
Fund balance, beginning of fiscal year	<u>2,326,276</u>	<u>2,326,276</u>
Fund balance, end of fiscal year	<u><u>\$ 1,354,222</u></u>	<u><u>\$ 1,354,222</u></u>

The notes to the modified cash basis financial statements are an integral part of this statement

COPPER VALLEY COMMUNITY SERVICES DISTRICT

**Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures and Changes in Fund Balances to the Statement of Activities
Modified Cash Basis
June 30, 2021**

Net change in fund balances - total governmental funds \$ (972,054)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the costs of those assets is allocated over their estimated useful lives as depreciation expense or are allocated to the appropriate functional expense when the cost is below the capitalization threshold. This activity is reconciled as follows:

Capital outlay	1,177,306
Depreciation expense	(178,512)

Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

	<u>168,709</u>
Change in net position of governmental activities	<u>\$ 195,449</u>

The notes to the modified cash basis financial statements are an integral part of this statement

COPPER VALLEY COMMUNITY SERVICES DISTRICT

Notes to the Modified Cash Basis Financial Statements June 30, 2021

Note 1: Summary of Significant Accounting Policies

The Saddle Creek Community Services District was formed on August 18, 1995, by resolution of the Board of Supervisors of Calaveras County and approved by the Local Agency Formation Commission. During the 2019-20 fiscal year the name of the District was changed to Copper Valley Community Services District. The purpose of the District is to maintain Copper Valley Community Services District owned facilities and easements including sidewalks, storm drains, landscaping, lighting, parks, security, weed and mosquito abatement, road improvement and maintenance, reserves, and administration. The District is a separate legal entity of the County of Calaveras and operates pursuant to Government Code Section 61600.

The District receives assessments levied upon property located within the District by the County of Calaveras. The District's Board of Directors determines the assessments and the assessments are collected by the tax collector of the County.

The accounting policies of the District are prepared on the modified cash basis of accounting. This basis of accounting is other than generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The District has defined its reporting entity in accordance with accounting principles generally accepted in the United States of America, which provide guidance for determining which governmental activities, organizations, and functions should be included in the reporting entity. In evaluating how to define the District for financial reporting purposes, management has considered all potential component units. The primary criterion for including a potential component unit within the reporting entity is the governing body's financial accountability. A primary governmental entity is financially accountable if it appoints a voting majority of a component unit's governing body and it is able to impose its will on the component unit, or if there is a potential for the component unit to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A primary government may also be financially accountable if a component unit is fiscally dependent on the primary governmental entity regardless of whether the component unit has a separately elected governing board, a governing board appointed by a higher level of government, or a jointly appointed board.

Based on the aforementioned oversight criteria, there are no component units in accordance with Governmental Accounting Standards Board Statement No. 61.

B. Basis of Accounting

The accompanying financial statements have been prepared on the modified cash basis of accounting. This is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants. The following are some of the ways that the modified cash basis of accounting differs from accounting principles generally accepted in the United States of America.

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned or, for property tax revenues, in the period for which levied. Expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

COPPER VALLEY COMMUNITY SERVICES DISTRICT

Notes to the Modified Cash Basis Financial Statements June 30, 2021

Note 1: Summary of Significant Accounting Policies (continued)

B. Basis of Accounting (continued)

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when both measurable and available. Measurable means the amount of the transaction can be determined and available means collectible in the current period or soon enough thereafter to be used to pay liabilities of the current period. Resources not available to finance expenditures and commitments of the current period are recognized as deferred revenue or as a reservation of fund balance. Property taxes are considered available if they are collected within sixty-days after year-end.

Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt, as well as compensated absences and claims and judgments are recorded only when payment is due. General capital acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and capital leases are reported as other financial sources.

The Copper Valley Community Services District recognizes revenues when they are received by the District. The modified cash basis of accounting recognizes all expenditures when they are paid. Accrued assets and liabilities are presented if they are material to the financial statements.

Consequently, the District has not recognized receivables or accounts payable to vendors and their related effects on earnings in the accompanying financial statements. The District does recognize capital assets and long-term debt in the government-wide financial statements in accordance with GASB 34.

C. Non-Current Governmental Assets/Liabilities

GASB Statement 34 eliminates the presentation of account groups, but provides for these records to be maintained and incorporates the information into the Governmental Activities column in the government-wide statement of net position.

D. Basis of Presentation

The accounts of the District are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts established for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The District's resources are accounted for in these individual funds based on the purposes for which they are to be spent and the means by which spending activity is controlled. For financial reporting, these funds have been grouped into the fund type discussed below.

Governmental Fund Type

Governmental funds are used to account for the District's expendable financial resources and related liabilities (except those accounted for in proprietary and similar trust funds). The measurement focus is based upon determination of changes in financial position. The following are the District's governmental funds:

General Fund - This fund accounts for all the financial resources not required to be accounted for in another fund. This fund consists primarily of general government type activities.

COPPER VALLEY COMMUNITY SERVICES DISTRICT

**Notes to the Modified Cash Basis Financial Statements
June 30, 2021**

Note 1: Summary of Significant Accounting Policies (Continued)

E. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates

F. Restricted Assets

Restricted assets are financial resources generated for a specific purpose such as construction of improvements and financing of debt obligations. These amounts are restricted, as their use is limited by applicable bond covenants or other external requirements.

G. Fund Equity

Restrictions of fund balances of governmental funds are established to either (1) satisfy legal covenants that require a portion of fund balance to be segregated or (2) identify the portion of the fund balance that is not appropriate for future expenditures.

H. Property Assessments

The Board of Directors sets fees for the operation of the District, which are collected by the County of Calaveras and remitted to the District. The 2020/21 fiscal year assessments as approved by Measure A are as follows:

Improved lots	\$1,876.94 per residential lot
Large undeveloped properties	\$793.51 per acre or portion thereof
Sports club property	\$705.35 per acre or portion thereof
Golf course property	\$70,382.40 per parcel

I. Capital Assets

Capital assets, recorded at historical cost or estimated historical cost if actual historical cost is not available, are reported in governmental activities column of the government-wide financial statements. Contributed fixed assets are valued at their estimated fair market value. Capital assets include easements, buildings, roads and equipment. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Depreciation is recorded in the government-wide financial statements using mid- year convention, on the straight-line basis over the useful life of the assets as follows:

<u>Assets</u>	<u>Useful Life</u>
Buildings	50 years
Building improvements	20 years
Other improvements	35 years
Equipment and machinery	5 to 20 years
Infrastructure	50 years

COPPER VALLEY COMMUNITY SERVICES DISTRICT

**Notes to the Modified Cash Basis Financial Statements
June 30, 2021**

Note 2: Cash and Investments

Cash at June 30, 2021 consisted of the following:

General checking	\$	1,181,867
LAIF		105,439
Cash with county		<u>66,916</u>
Total	\$	<u><u>1,354,222</u></u>

A. Investments Authorized by the California Government Code and the Entity's Investment Policy

The table below identifies the **investment types** that are authorized for the Copper Valley Community Services District by the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that address **interest rate risk**, **credit risk** and **concentration of credit risk**. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District investment policy.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Percentage of Portfolio</u>	<u>Investment in One Issuer</u>
Investment pools authorized under CA			
Statutes governed by Government Code	N/A	None	\$40 million
U.S. Treasury Obligations	5 years	None	None
Bank Savings Accounts	N/A	25%	None
Federal Agencies	5 years	75%	None
Commercial Paper	180 days	20%	None
Negotiable Certificates of Deposit	180 days	20%	None
Re-Purchase Agreements	180 days	20%	None
Corporate Debt	5 years	25%	None

B. Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of and investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investment maturity:

<u>Investment type</u>	<u>Totals</u>	<u>Remaining Maturity (in Months)</u>	
		<u>12 Months or Less</u>	<u>13-48 Months</u>
Calaveras County*	\$ 66,916	\$ 66,916	\$ -
Local Agency Investment Fund*	105,439	105,439	
Totals	<u>\$ 172,355</u>	<u>\$ 172,355</u>	<u>\$ -</u>

* Not subject to categorization

Investments made by the District are summarized below. The investments that are represented by specific identifiable investment securities are classified as to three levels of custodial credit risk within the following categories:

Category 1 - insured or registered, with securities held by District or its agent in the District's name.

COPPER VALLEY COMMUNITY SERVICES DISTRICT

Notes to the Modified Cash Basis Financial Statements June 30, 2021

Note 2: Cash and Investments (continued)

C. Concentrations of Credit Risk

The investment policy of the District contains limitations on the amount that can be invested in any one issuer. There are no investments to one issuer exceeding those limits.

D. Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposit or will 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 of 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 secured deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the government unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure the District's deposits by pledging first deed mortgage notes having a value of 150% of the secured public deposits.

At June 30, 2021, the District's deposits balance, including certificates of deposit, was \$1,185,613 and the carrying amount was \$1,181,869. The difference between the bank balance and the carrying amount was due to normal outstanding checks and deposits in transit. Of the bank balance, \$250,000 was covered by the Federal Depository Insurance and \$935,613 was covered by collateral held in the pledging bank's trust department in the District's name.

E. Investments in Government Pools

LAIF is included in the State's Pooled Money Investment Account. The total amount invested by all public agencies in the State's Pooled Money Investment Account approximates \$193.32 billion. Of the \$193.32 billion managed by the State Treasurer, 100% is invested in non-derivative financial products and 2.31% is invested in structured notes and asset-backed securities. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by state statute.

The District maintains a cash account with the Calaveras County Treasurer in an investment pool. The District's funds are managed in accordance with the investment policy of the County Treasury. On a quarterly basis the Treasurer allocates interest to participants based upon their average daily balances. Required disclosure information regarding the categorization of investments and investment risk can be found in the County's financial statements. The Calaveras County's financial statements may be obtained by contacting the County of Calaveras Auditor-Controller's office at 891 Mountain Ranch Road, San Andreas, CA 95249.

COPPER VALLEY COMMUNITY SERVICES DISTRICT

**Notes to the Modified Cash Basis Financial Statements
June 30, 2021**

Note 3: Property Plant and Equipment

Activity for the assets capitalized by the District is summarized below:

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
Governmental Activities				
Capital assets, not being depreciated				
Construction in progress	\$ 117,717	\$ -	\$ (117,717)	\$ -
Easements	10,344,000			10,344,000
Capital assets, being depreciated				
Equipment	498,377	55,198	(30,799)	522,776
Buildings	90,605	45,822		136,427
Roads	3,183,020	1,194,003		4,377,023
Total capital assets, being depreciated	3,772,002	1,295,023	(30,799)	5,036,226
Less accumulated depreciation for:				
Equipment	(360,680)	(46,306)	30,799	(376,187)
Buildings	(26,441)	(2,740)		(29,181)
Roads	(876,515)	(129,465)		(1,005,980)
Total accumulated depreciation	(1,263,636)	(178,511)	30,799	(1,411,348)
Total capital assets, being depreciated, net	2,508,366	1,116,512		3,624,878
Total governmental activities, capital assets, net	\$ 12,970,083	\$ 1,116,512	\$ (117,717)	\$ 13,968,878

Note 4: Long-Term Liabilities

A summary of the changes in the District's long-term liabilities reported in the government-wide financial statements for the year ended June 30, 2021:

Governmental Activities	July 1, 2020	Additions	Retirements	June 30, 2021	one year
Installment Loan A	\$ 592,352	\$ -	\$ (68,083)	\$ 524,269	\$ 69,707
Installment Loan B	1,407,648		(76,975)	1,330,673	79,106
Capital lease	53,868		(23,650)	30,218	11,169
Total	\$ 2,053,868	\$ -	\$ (168,708)	\$ 1,885,160	\$ 159,982

Capital Leases

On May 1, 2016, the District Board of Directors authorized the financing and purchase of a utility tractor. The cost of the equipment was \$72,340 and the underwriting fee was \$425. The District 60 monthly payments of \$1,335.71 include the vehicle cost and finance charges with the interest rate set at 4.25%. This lease was paid off during the current fiscal year.

COPPER VALLEY COMMUNITY SERVICES DISTRICT

**Notes to the Modified Cash Basis Financial Statements
June 30, 2021**

Note 4: Long-Term Liabilities (Continued)

On February 1, 2019, the District Board of Directors authorized the financing and purchase of a compact utility tractor. The cost of the equipment was \$54,970. The District 60 monthly payments of \$1,051.30 include the vehicle cost and finance charges with the interest rate set at 5.75%. The following is the remaining amortization schedule at June 30, 2021 of principal and interest payments:

Capital Lease

Fiscal Year Ending			
June 30,	Principal	Interest	Total
2022	\$ 11,169	\$ 1,446	\$ 12,616
2023	11,829	787	12,616
2024	7,220	139	7,359
Totals	<u>\$ 30,218</u>	<u>\$ 2,372</u>	<u>\$ 32,590</u>

Installment Loan A

On May 4th 2020 the District entered into an installment sale agreement with municipal finance corporation whereas the District borrowed \$592,352 at an interest rate of 2.37% for the purpose of refinancing the 2018 installment debt that was used to fund construction projects within the District boundaries. The installment sale agreement was subsequently assigned to First Foundation Bank. The accrued interest of \$5,780 and cost of issuance of \$8,500 were rolled into the new installment debt. The loan is secured by a pledge of voter-approved special taxes. The repayment term is 16 semi-annual payments of \$40,861 starting on November 4, 2020 with the final payment on May 4, 2028 as follows:

Installment Loan A

Fiscal Year Ending			
June 30,	Principal	Interest	Total
2022	\$ 69,707	\$ 12,015	\$ 81,722
2023	71,369	10,353	81,722
2024	73,070	8,652	81,722
2025	74,813	6,909	81,722
2026	76,596	5,126	81,722
2027-2028	158,714	4,728	163,442
Totals	<u>\$ 524,269</u>	<u>\$ 47,783</u>	<u>\$ 572,052</u>

COPPER VALLEY COMMUNITY SERVICES DISTRICT

**Notes to the Modified Cash Basis Financial Statements
June 30, 2021**

Note 4: Long-Term Liabilities (Continued)

Installment Loan B

On May 4th 2020 the District entered into an installment sale agreement with municipal finance corporation whereas the District borrowed \$1,407,648 at an interest rate of 2.75% for the purpose of funding construction projects within the District boundaries. The installment sale agreement was subsequently assigned to First Foundation Bank. The cost of issuance of \$25,000 was rolled into the installment debt. The loan is secured by a pledge of voter-approved special taxes. The repayment term is 30 semi-annual payments of \$57,580 starting on November 4, 2020 with the final payment on May 4, 2035 as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2022	\$ 79,106	\$ 36,054	\$ 115,160
2023	81,297	33,863	115,160
2024	83,548	31,612	115,160
2025	85,862	29,298	115,160
2026	88,239	26,921	115,160
2027-2031	479,226	96,574	575,800
2032-2035	433,395	27,245	460,640
Totals	<u>\$ 1,330,673</u>	<u>\$ 281,567</u>	<u>\$ 1,612,240</u>

Note 5: Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District purchases commercial insurance to cover the risk of loss. The general liability and the director and officers' liability coverage are limited to \$1,000,000 each. The District pays an annual premium to Special Districts Risk Management Authority for its general liability and workers compensation insurance. The District also has a \$100,000 dishonesty bond to provide protection from potential losses due to embezzlement by employees.

Note 6: Gann Limit

Proceeds-all sources 2020/21	\$ 1,334,866
GANN limit for 2020/21	<u>1,482,036</u>
Amount (under)/over limit	<u>\$ (147,170)</u>

Note 7: Revenue Limitations Imposed by California Proposition 218

Proposition 218, which was approved by the voters in November 1996, regulates the District's ability to impose, increase, and extend taxes and assessments. Any new increase or extended taxes and assessments subject to the provisions of Proposition 218, requires voter approval before they can be implemented. Additionally, Proposition 218 provides that these taxes and assessments are subject to voter initiative and may be rescinded in the future years by the voters.

COPPER VALLEY COMMUNITY SERVICES DISTRICT

Notes to the Modified Cash Basis Financial Statements June 30, 2021

Note 8: Commitments and Contingencies

Grants

Grants are subject to audit to determine compliance with their requirements. District officials believe that if any refunds are required, they would not have a significant effect on the financial condition or liquidity of the District. The District is unaware of any pending litigation or other contingencies which would have a material effect on the financial condition or liquidity of the District.

Line of Credit

The District has open lines of credit with various vendors for purchase of supplies and a credit card issued by Bank of the West with a credit limit of \$40,000.

COVID 19

In December 2019, a novel strain of coronavirus has spread around the world resulting in business and social disruption. The coronavirus was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. The operations and business results of Copper Valley Community Services District could potentially be adversely affected by this global pandemic. The extent to which the coronavirus may impact business activity or investment results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain the coronavirus. The District has not included any contingencies in the financial statements specific to this issue.

COPPER VALLEY COMMUNITY SERVICES DISTRICT

**Required Supplementary Information
Budgetary Comparison Schedule-General Fund
Modified Cash Basis
For The Fiscal Year Ended June 30, 2021**

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues				
Special assessments	\$ 1,334,703	\$ 1,334,703	\$ 1,321,350	\$ (13,353)
Use of money and property	2,600	2,600	1,208	(1,392)
Other	<u>9,000</u>	<u>9,000</u>	<u>12,308</u>	<u>3,308</u>
Total revenues	<u>1,346,303</u>	<u>1,346,303</u>	<u>1,334,866</u>	<u>(11,437)</u>
Expenditures				
Salaries and benefits	561,745	561,745	576,036	(14,291)
Services and supplies	413,835	413,835	345,230	68,605
Principal Expense	168,709	168,709	168,709	-
Interest expense	55,481	55,481	54,139	1,342
Capital expense	<u>1,387,000</u>	<u>1,387,000</u>	<u>1,177,306</u>	<u>209,694</u>
Total expenditures	<u>2,586,770</u>	<u>2,586,770</u>	<u>2,321,420</u>	<u>265,350</u>
Excess (deficit) of revenues over expenditures before other financing sources	<u>(1,240,467)</u>	<u>(1,240,467)</u>	<u>(986,554)</u>	<u>253,913</u>
Other financing sources-sale of assets			<u>14,500</u>	<u>14,500</u>
Net change in fund balances	<u><u>\$(1,240,467)</u></u>	<u><u>\$(1,240,467)</u></u>	<u><u>(972,054)</u></u>	<u><u>\$ 268,413</u></u>
Fund balance, beginning of fiscal year			<u>2,326,276</u>	
Fund balance, end of fiscal year			<u><u>\$ 1,354,222</u></u>	

The note to the required supplementary information is an integral part of this schedule

COPPER VALLEY COMMUNITY SERVICES DISTRICT

**Note to the Required Supplementary Information
June 30, 2021**

Note 1: Budgets and Budgetary Accounting

As required by State law, the District is required to prepare and legally adopt a final operating budget. Public hearings are required to be conducted on the proposed and final budget to review all appropriations and the sources of financing.

The budget for the general fund is required to be adopted on the modified cash basis of accounting. The budget for the general fund is the only legally adopted budgets.

At the object level, actual expenditures cannot exceed budgeted appropriations. Management can transfer budgeted amounts between expenditure accounts within an object without the approval of the Board of Directors. Significant amendments and appropriation transfers between objects or funds must be approved by the Board of Directors. Appropriations lapse at year end.

Copper Valley Community Services District

Management Report

Fiscal Year Ended June 30, 2021

LARRY BAIN, CPA

AN ACCOUNTING CORPORATION

2148 Frascati Drive, El Dorado Hills, CA 95762 / 916.601-8894
lpbain@sbcglobal.net

COMMUNICATION OF SIGNIFICANT DEFICIENCY

To: Board of Directors
Copper Valley Community Services District

We have audited the financial statements of Copper Valley Community Services District as of and for the fiscal year ended June 30, 2021, and have issued our reports thereon dated January 5, 2022. We conducted our audits in accordance with auditing standards generally accepted in the United States of America.

In planning and performing our audit, we considered Copper Valley Community Services District's (District) internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies in internal control, such that there is a reasonable possibility that material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. We did not identify any significant deficiencies that we consider to be material weaknesses.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2021-001 in the following schedule of findings to be a significant deficiency in the District's internal control.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal controls over financial reporting and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control. This report is an integral part of an audit performed in accordance with auditing standards generally accepted in the United States of America in considering the District's internal control over financial reporting, accordingly this report is not suitable for any other purpose.

This report is intended solely for the information and use of the board of directors and management of Copper Valley Community Services District.

Larry Bain, CPA,
An Accounting Corporation
January 5, 2022

**COPPER VALLEY COMMUNITY SERVICES DISTRICT
FINDINGS AND RECOMMENDATIONS**

June 30, 2021

Significant Deficiency Not Deemed a Material Weakness

FS 2021-001: We noted the District has a lack of segregation of duties, as one person is capable of handling all aspects of processing transactions from beginning to end. A lack of segregation of duties increases the risk of potential errors or irregularities occurring without being detected; however, due to a limited number of personnel an adequate segregation of duties is not possible without incurring additional costs. We have also noted this comment in previous audits.

Management Response: We segregate duties to the greatest extent possible with the small staff size.

LARRY BAIN, CPA

AN ACCOUNTING CORPORATION

2148 Frascati Drive, El Dorado Hills, CA 95762 / 916.601-8894
lpbain@sbcglobal.net

January 5, 2022
To the Board of Directors
Copper Valley Community Services District

We have audited the financial statements of the governmental-type activities of Copper Valley Community Services District for the fiscal year ended June 30, 2021, and have issued our reports thereon dated January 5, 2022. Professional standards require that we provide you with the following information related to our audit.

Our responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated September 4, 2020, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We started the audit later than previously communicated and report issuance was also delayed as a result of COVID 19 and other scheduling issues.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Copper Valley Community Services District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ended June 30, 2021. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the financial statements was (were):

Management's estimate of the useful lives of assets for calculating depreciation expense is based on GFOA recommended useful lives. We evaluated the key factors and assumptions used to develop the useful life estimates in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate for budgeted revenues and expenditures is based on past experience along with known conditions expected during the budget year. We evaluated key factors and assumptions used to develop the budget to determine that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. These financial statements reflect all known audit entries discovered during the audit. We also proposed and recorded entries to convert from the fund financial statement presentation to the government-wide presentation. We passed on recording \$10,710 accrued vacation which was not material to the government-wide financial statements.

Disagreements with Management

For purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significance to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 5, 2022.

Management Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

We discussed with management that there is \$212,373 of unexpended debt proceeds from the installment sale taken out for the Phase II projects. Management and the Board will need to determine what projects to apply these funds to.

This information is intended solely for the use of the Board of Directors and management of Copper Valley Community Services District and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Larry Bain, CPA,
An Accounting Corporation