

**Juniper Riviera  
County Water District**

**Report on Audit**

**June 30, 2019**

# Juniper Riviera County Water District

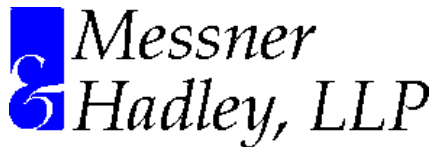
(A Special District)

June 30, 2019

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## TABLE OF CONTENTS

<b>Independent Auditors' Report</b> .....	1
<b>Management's Discussion and Analysis</b> .....	4
<b>Financial Statements</b>	
Statement of Net Position.....	7
Statement of Revenues, Expenses and Changes in Net Position.....	8
Statements of Cash Flows.....	9
<b>Notes to the Financial Statements</b> .....	10
<b>Supplementary Information</b>	
Schedule of Operating Expenses.....	16
<b>Other Independent Auditors' Report</b>	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	17
<b>Findings and Responses</b>	
Schedule of Findings and Responses.....	19
Summary Schedule of Prior Year Findings.....	21



*Certified Public Accountants*

Paul S. Messner, CPA  
Cindra J. Hadley, CPA  
James M. Quinn, CPA, CFE

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors  
Juniper Riviera County Water District  
Apple Valley, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of Juniper Riviera County Water District, as of and for the year ended June 30, 2019, 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**

The District's 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 as well as the accounting systems prescribed by the State Controller's Office and state regulations governing special districts; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express opinions 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, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 control 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 presentation of the financial statements.

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

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## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Juniper Riviera County Water District, as of June 30, 2019, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America, as well as the accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information, shown on page 16, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Board of Directors  
Juniper Riviera County Water District

**Other Reporting Required By *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Messner & Hadley, LLP.*

Messner & Hadley, LLP  
Certified Public Accountants

Victorville, California  
June 23, 2020

# Juniper Riviera County Water District

(A Special District)

## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2019

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### INTRODUCTION

As management of the Juniper Riviera County Water District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ending June 30, 2019. The management's discussion and analysis is designed to: (1) assist the reader in focusing on significant financial issues, (2) provide an overview of the District's financial activity, and (3) identify changes in the District's financial position. Please read and review it in conjunction with the District's financial statements and accompanying notes.

### THE BASIC FINANCIAL STATEMENTS

Juniper Riviera County Water District is a special purpose government (special district) engaged only in activities that support themselves through user charges and tax levies. Accordingly, the accompanying financial statements are presented in the format prescribed for proprietary funds by the Governmental Accounting Standards Board. As a proprietary fund, the District uses the full accrual basis of accounting. Proprietary fund statements offer short-term and long-term financial information about the activities that operate like a business.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The notes are located immediately after the basic financial statements.

The basic financial statements are made up of the statement of net position, statement of revenues, expenses, and changes in net position, and the statement of cash flows. Each statement is described in detail below.

The *Statement of Net Position* presents information on the District's assets and liabilities. Assets reflect what is owned and liabilities reflect what is owed. The difference between assets and liabilities is reported as net position. The change in net position is one way to measure the District's financial health. Increases and decreases are indicators of whether its financial health is improving or deteriorating, respectively.

The *Statement of Revenues*, expenses and changes in net position describes the results of the District's financial activities during the years reported. It shows the change in net position by comparing operating and non-operating revenues with operating and non-operating expenses. Operating revenues and expenses relate to the principal business activity of the District. All other revenues and expenses are classified as non-operating.

The *Statement of Cash Flows* describes to the financial statement users how the District managed its cash during the year. It tells the user from what sources the District received cash and for what purposes cash was used. The statement converts operating income (or loss) from the statement of revenues, expenses and changes in net position into actual cash provided by and used in operations. Additionally, the statement of cash flows details how the District obtains and spends cash for investing financing activities.

### SUMMARY FINANCIAL INFORMATION ANALYSIS

The District's customer base has remained stable over the last few years and operational expenses have continued to increase. The Board of Directors of Juniper Riviera County Water District passed Resolution No. 227 establishing an increase in monthly water meter service charge beginning January 21, 2016.

# Juniper Riviera County Water District

(A Special District)

## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2019

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### NET POSITION

As illustrated in the table below, the June 30, 2019 fiscal year ended with a increase in net position of \$23,005.

	<u>2019</u>	<u>2018</u>	<u>Net Change</u>
Total assets	\$ 1,205,201	\$ 1,231,640	\$ (26,439)
Total liabilities	<u>116,558</u>	<u>166,002</u>	<u>(49,444)</u>
<b>Net position</b>	<b><u>\$ 1,088,643</u></b>	<b><u>\$ 1,065,638</u></b>	<b><u>\$ 23,005</u></b>
Revenues	\$ 310,941	\$ 285,067	\$ 25,874
Expenses	<u>287,936</u>	<u>278,185</u>	<u>9,751</u>
<b>Change in net position</b>	<b>23,005</b>	<b>6,882</b>	<b>16,123</b>
<b>Net Position - Beginning</b>	<u>1,065,638</u>	<u>1,058,756</u>	<u>6,882</u>
<b>Net Position - Ending</b>	<b><u>\$ 1,088,643</u></b>	<b><u>\$ 1,065,638</u></b>	<b><u>\$ 23,005</u></b>

### CAPITAL ASSETS

	<u>2019</u>	<u>2018</u>	<u>Net Change</u>
Land	\$ 29,799	\$ 29,799	\$ -
Plant and equipment	2,580,332	2,580,156	176
Accumulated depreciation	<u>(1,685,797)</u>	<u>(1,646,595)</u>	<u>(39,202)</u>
<b>Total Capital Assets</b>	<b><u>\$ 924,334</u></b>	<b><u>\$ 963,360</u></b>	<b><u>\$ (39,026)</u></b>

### LONG-TERM LIABILITIES

	<u>2019</u>	<u>2018</u>	<u>Net Change</u>
<b>Bonds Payable</b>	<b><u>\$ 106,000</u></b>	<b><u>\$ 157,000</u></b>	<b><u>\$ (51,000)</u></b>

# **Juniper Riviera County Water District**

(A Special District)

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2019

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### **ECONOMIC FACTORS AND FUTURES BUDGET CONSIDERATIONS**

The District has completed an annual budget for fiscal year 2019-2020 that has been approved by the Board of Directors.

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

The financial report is designed to provide our citizens, taxpayers, and customers with a general overview of the District's financials and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the District at P.O. Box 386, Apple Valley, California 92307.



## **FINANCIAL STATEMENTS**

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# Juniper Riviera County Water District

(A Special District)

## STATEMENT OF NET POSITION

June 30, 2019

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### ASSETS

#### Current assets:

Cash and cash equivalents	\$ 163,410
Accounts receivable	31,043
Prepaid expenses	<u>11,331</u>
Total current assets	205,784

#### Restricted assets:

Cash and cash equivalents	<u>75,083</u>
Total non-current assets	75,083

#### Capital assets:

Utility plant, net	<u>924,334</u>
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### TOTAL ASSETS

\$ 1,205,201

### LIABILITIES

#### Current liabilities:

Accounts payable	\$ 4,182
Accrued expenses	5,051
Accrued interest	1,325
Current portion of long-term debt	<u>51,000</u>
Total current liabilities	61,558

#### Non-current liabilities

Bonds payable	<u>55,000</u>
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### Total liabilities

116,558

### NET POSITION

Invested in capital assets, net of related debt	818,334
Restricted	75,083
Unrestricted	<u>195,226</u>
Total net position	<u>1,088,643</u>

### TOTAL LIABILITIES AND NET POSITION

\$ 1,205,201

See Accompanying Notes and Auditors' Report

# Juniper Riviera County Water District

(A Special District)

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the Year Ended June 30, 2019

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### OPERATING REVENUES

Water sales	\$ 123,495
<b>Total operating revenues</b>	<u>123,495</u>

### OPERATING EXPENSES

Source of supply	7,549
Transmission and distribution	62,730
Pumping power	32,339
General and administrative	116,848
Depreciation	<u>61,648</u>
<b>Total operating expenses</b>	281,114

### OPERATING LOSS

(157,619)

### NON-OPERATING REVENUES (EXPENSES)

Interest income	(816)
Property tax and assessments	147,794
Standby charges	40,468
Gain/loss on sale of fixed assets	-
Bond interest expense	<u>(6,822)</u>
<b>Total non-operating revenues (expenses)</b>	180,624

### CHANGE IN NET POSITION

23,005

Net Position - Beginning

1,065,638

Net Position - Ending

\$ 1,088,643

See Accompanying Notes and Auditors' Report

# Juniper Riviera County Water District

(A Special District)

## STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2019

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### Cash flows from operating activities

Receipts from customers	134,370
Payments to suppliers	(109,359)
Payments related to payroll	(107,963)
	<hr/>
Net cash used in operating activities	(82,952)

### Cash flows from capital and related financing activities

Property tax receipts	147,794
Standby charges collected	40,468
Payments for plant property and equipment	(22,622)
Payments on long term debt principal	(51,000)
Interest paid on long term debt	(7,850)
	<hr/>
Net cash provided by capital and related financing activities	106,790

### Cash flows from investing activities

Interest receipts	(816)
	<hr/>
Net cash provided by investing activities	(816)
	<hr/>

NET DECREASE IN CASH

23,022

Cash - Beginning

215,471

Cash - Ending

\$ 238,493

### Reconciliation of cash and cash equivalents to the statements of net assets

Reconciliation of operating loss to cash used in operating activities:

Operating income \$ (157,619)

Adjustments to reconcile operating income to net cash provided by operating activities:

Depreciation 61,648

Changes in assets and liabilities:

Accounts receivable 10,875

Prepayments (438)

Current Liabilities 2,582

NET CASH USED IN OPERATING ACTIVITIES

\$ (82,952)

See Accompanying Notes and Auditors' Report

# Juniper Riviera County Water District

(A Special District)

## NOTES TO FINANCIAL STATEMENTS

June 30, 2019

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Reporting Entity**

Juniper Riviera County Water District (the “District”) was formed in 1976, under the provision of the California Water Code. The District completed its water system and became operational in August of 1981. The District’s service area includes an unincorporated area of Apple Valley, California. The District obtains its water supply from local wells.

#### **Accounting Policies**

The financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Property taxes, water service charges, water sales, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

The District is engaged in only business-type activities and the District’s basic financial statements consist of only the financial statements required for enterprise funds. These include a statement of net position, a statement of revenues, expenses, and changes in net position, a statement of cash flows, and these notes to the basic financial statements.

Private sector standards of accounting and financial reporting, issued prior to December 1, 1989, generally are followed in the enterprise fund-type financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The District has elected not to follow subsequent private-sector guidance.

Proprietary enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the District are charges to the customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

#### **Cash and Cash Equivalents**

For purposes of cash flows, the District considers all highly liquid debt instruments purchased with an initial maturity of three months or less to be cash equivalents. Cash equivalents restricted for use in only capital projects are reported as noncurrent assets.

#### **Accounts Receivable**

Receivables represent revenues earned but not collected. Receivables are uncollateralized and are valued at cost. Any losses on uncollectible accounts receivable are recognized when such losses become known or indicated. All receivables are adjusted to net realizable value when they are determined to be delinquent based on historical experience.

# Juniper Riviera County Water District

(A Special District)

## NOTES TO FINANCIAL STATEMENTS

June 30, 2019

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### **Inventories**

Inventories are valued at cost, which approximates market, using the average cost method. The District inventories of meters are valued under a pooled average basis.

### **Prepaid Expenses**

Payments made to vendors for services that will benefit periods beyond the fiscal year-end are recorded as prepaid assets.

### **Restricted Assets**

Certain loan proceeds as well as certain resources set aside for their repayment are classified as restricted assets because their use is limited by applicable loan covenants. In addition, funds have been reserved for capital improvements, repairs, and maintenance.

### **Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (mainly the existing water system) are reported in the financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost. 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. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed net of construction period interest revenues earned during such periods.

### **Net Position**

Net position represents the difference between assets and liabilities. The District's net position is classified as follows:

***Net Investment in Capital Assets*** – This represents the District's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

***Restricted Net Position*** – Restricted net position represents resources which are legally or contractually obligated to be spent in accordance with restrictions imposed by external third parties.

***Unrestricted Net Position*** – Unrestricted net position represents resources available for transactions relating to the general operations of the District, and may be used at the discretion of the governing board to meet current expenses for any purpose.

# **Juniper Riviera County Water District**

(A Special District)

## NOTES TO FINANCIAL STATEMENTS

June 30, 2019

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### **Operating Revenues and Expenses**

The District distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's principal ongoing operations. The principal operating revenues of the District are charges to customers for sales and services. Operating expenses for the District include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

### **Receivables and Property Taxes**

The District has determined that all trade and property tax receivables are collectible.

Property taxes are levied as of March 1 on property values assessed as of the same date. State statutes provide that the property tax rate be limited generally to one percent of market value, be levied by only the County, and be shared by applicable jurisdictions. The County of San Bernardino collects the taxes and distributes them to taxing jurisdictions on the basis of assessed valuations subject to voter-approved debt. Property taxes are due on November 1 and March 1, and become delinquent on December 10 and April 10. The District receives property taxes pursuant to an arrangement with the County known as the "Teeter Plan". Under the Plan, the County assumes responsibility for the collection of delinquent taxes and pays the full allocation to the District. The District recognizes property tax revenues in the fiscal year in which they are due to the District and accrues as receivable such taxes.

### **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles 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 expenses during the reporting period. Actual results could differ from those estimates.

### **Income Taxes**

The District is a special district in the state of California and is exempt from federal and state income taxes.

### **NOTE 2 – CASH AND CASH EQUIVALENTS**

All of the District's deposits in financial institutions are entirely insured or collateralized. The *California Government Code* requires California banks and savings and loan associations to secure local agency deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 110% of a local agency's deposits.

# Juniper Riviera County Water District

(A Special District)

## NOTES TO FINANCIAL STATEMENTS

June 30, 2019

### NOTE 3 – ACCOUNTS RECEIVABLE AND OTHER ASSETS

The following summarizes the significant categories of receivables and other assets (current and non-current) at June 30, 2019:

Current	
Water sales	\$ 28,861
Property taxes and assessments	2,182
	<u>\$ 31,043</u>

### NOTE 4 – CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Balance June 30, 2018	Adjustments/ Additions	Deletions	Balance June 30, 2019
<b>Capital Assets:</b>				
Transportation equipment	\$ 76,539	\$ -	\$ 22,446	\$ 54,093
Office equipment	8,924	-	-	8,924
Building	44,507	-	-	44,507
Utility plant	2,450,186	22,622	-	2,472,808
Land	29,799	-	-	29,799
	<u>2,609,955</u>	<u>22,622</u>	<u>22,446</u>	<u>2,610,131</u>
<b>Total Capital Assets</b>				
	70,706	2,000	22,446	50,260
Transportation equipment	8,913	10	-	8,923
Office equipment	37,686	1,429	-	39,115
Building	1,529,290	58,209	-	1,587,499
Utility plant	<u>1,646,595</u>	<u>61,648</u>	<u>22,446</u>	<u>1,685,797</u>
<b>Total Accumulated Depreciation</b>				
	<u>\$ 963,360</u>			<u>\$ 924,334</u>
<b>Capital Assets, net</b>				

Depreciation expense for the year was \$61,848.



# Juniper Riviera County Water District

(A Special District)

## NOTES TO FINANCIAL STATEMENTS

June 30, 2019

### NOTE 5 – LONG-TERM OBLIGATIONS

On June 20, 1978, General Obligation Bonds in the amount of \$1,050,000 were approved by the voters to finance construction of a water system. These bonds are to be repaid by a tax levy sufficient to pay principal and interest when due.

Series A of the bonds totaling \$762,500 was issued in 1979. As of June 30, 2019, \$38,000 was outstanding. In 1984, issuance began on Series B consisting of \$285,000. As of June 30, 2019, \$68,000 was outstanding. The interest rate on both bonds is 5%.

Summarized below is the bond activity for the year:

	Balance July 1, 2018	Additions	Reductions	Due in one year	Long-term balance June 30, 2019
Series A	\$ 77,000	\$ -	\$ 39,000	\$ 38,000	\$ -
Series B	80,000	-	12,000	13,000	55,000
	<u>\$ 157,000</u>	<u>\$ -</u>	<u>\$ 51,000</u>	<u>\$ 51,000</u>	<u>\$ 55,000</u>

The bonds mature on October 1 and April 1, respectively, of each year as follows:

	Series A	Series B
Year ending June 30,		
2020	\$ 38,000	\$ 13,000
2021	-	13,000
2022	-	13,000
2023	-	14,000
2024-2028	-	15,000
	<u>\$ 38,000</u>	<u>\$ 68,000</u>

### NOTE 6 – RISK MANAGEMENT

The District is exposed to various risks of loss related to theft of, damage to, and destruction of assets, and injuries to employees. The District mitigates these risks through internal control procedures, physical security of assets, and safety training of employees. Additionally, the District maintains liability and property insurance through participation in the Joint Powers Authority, Association of California Water Agencies Joint Power Insurance Authority (ACWA/JPIA). See the Joint Power Agreement (Note 7) for nature of participation. Settled claims have not exceeded this coverage in any of the past two fiscal years.

# Juniper Riviera County Water District

(A Special District)

## NOTES TO FINANCIAL STATEMENTS

June 30, 2019

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### NOTE 7 – JOINT VENTURE

The District participates in a joint venture under a Joint Powers Agreement (JPA): the Special District Risk Management Authority. The relationship between the District and the JPA is such that the JPA is not a component unit of the District for financial reporting purposes.

The Special District Risk Management Authority has budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements.

- |    |                 |   |
|----|-----------------|---|
| A. | Entity          | Special District Risk Management Authority  |
| B. | Purpose         | To purchase property and liability insurance for member districts and provide a program of self-insurance for workers compensation.                     |
| C. | Participants    | Special districts in California   |
| D. | Governing Board | Two directors selected by the California Special Districts Association and five elected from membership and certain members from the special districts. |

### NOTE 8 – SUBSEQUENT EVENTS

Events occurring after June 30, 2019 have been evaluated for possible adjustment to the financial statements or disclosure, as of June 23, 2020, which is the date the financial statements were available to be issued.

## **SUPPLEMENTARY INFORMATION**

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# Juniper Riviera County Water District

(A Special District)

## SCHEDULE OF OPERATING EXPENSES

For the Year Ended June 30, 2019

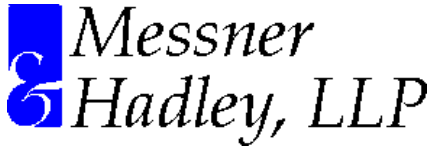
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Source of supply	
Purification and testing	\$ 7,255
Water	294
	<u>\$ 7,549</u>
Transmission and distribution	
Labor and payroll cost	\$ 28,775
Maintenance and repair	33,955
Total	<u>\$ 62,730</u>
General and administrative	
Labor and payroll costs	\$ 79,188
Building maintenance & non system repairs	250
Contributions	519
Office supplies and expense	12,862
Office utilities and alarm monitoring	5,810
Insurance	11,064
Directors fees	4,300
Legal, accounting and other professional fees	2,730
Miscellaneous	125
Total general and administrative	<u>\$ 116,848</u>

See Accompanying Notes and Auditors' Report

**OTHER INDEPENDENT AUDITORS' REPORT**

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Certified Public Accountants

Paul S. Messner, CPA  
Cindra J. Hadley, CPA  
James M. Quinn, CPA, CFE

**INDEPENDENT AUDITORS' 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**

The Board of Directors  
Juniper Riviera County Water District  
Apple Valley, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the State Controller's Minimum Audit Requirements for California Special Districts, the financial statements of the business-type activities of Juniper Riviera County Water District (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 23, 2020.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies. We consider the deficiencies, described as Finding 2019-1 and Finding 2019-2 in the accompanying schedule of findings and responses, to be significant deficiencies in internal control over financial reporting.

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### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Juniper Riviera County Water District's Response to Findings**

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Messner & Hadley, LLP.*

Messner & Hadley, LLP  
Certified Public Accountants

Victorville, California  
June 23, 2020

## **FINDINGS AND RESPONSES**

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# Juniper Riviera County Water District

(A Special District)

## SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended June 30, 2019

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### **FINDING 2019-1**

### **SIGNIFICANT DEFICIENCY**

#### **FINANCIAL REPORTING**

**Criteria:**

Special districts should have policies and procedures in place to ensure complete and accurate financial statements, footnote disclosures, and management's discussion and analysis are prepared and reviewed prior to the arrival of independent auditors, in accordance with GASB 34.

**Condition:**

The District does not have policies and procedures in place to ensure that this happens.

**Effect:**

When appropriate financial reporting policies and procedures are not established, there is more than a remote likelihood that a material misstatement may occur and not be detected by the District's system of internal control.

**Cause:**

The District does not have the financial resources or specialized personnel available to ensure complete and accurate financial statements, footnote disclosures, and management's discussion and analysis conform to GASB 34.

**Questioned Costs:**

None

**Recommendation:**

Due to the nature of special district finance and the specific types of financial activities processed by the District, management and the governing board should weigh the cost of eliminating this control weakness against the benefits to be received.

**Management Response:**

The District does not have the staff or the resources to fully prepare financial statements.

# Juniper Riviera County Water District

(A Special District)

## SCHEDULE OF FINDINGS AND RESPONSES, Continued

For the Year Ended June 30, 2019

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### **FINDING 2019-2**

### **SIGNIFICANT DEFICIENCY**

#### **SEGREGATION OF DUTIES**

**Criteria:**

An effective system of internal control requires that employees who have access to the District's assets do not also have access to accounting records that are used to maintain control over the assets. In addition, all significant financial transactions or financial reporting activities should be reviewed and approved by another informed employee who was not actively involved in the initial financial transactions or financial reporting activities.

**Condition:**

Due to the limited size of the staff, an appropriate segregation of duties cannot always be maintained.

**Effect:**

When appropriate segregation of duties is not maintained, there is more than a remote likelihood that a material misstatement of the financial statements may occur and not be detected by the District's system of internal control.

**Cause:**

The District does not have adequate staff of specialized personnel to ensure that appropriate segregation of duties is maintained.

**Questioned Costs:**

None

**Recommendation:**

Due to the nature of special district finance and the specific types of financial transactions and financial reporting activities performed by the District, management and the governing board should weigh the cost of eliminating this control weakness against the benefits to be received. If it is determined that the District cannot fully remediate the control weakness, management should work towards developing alternative procedures, which may help to mitigate the financial reporting risk of the District.

**Management Response:**

The District has determined that the cost of fully eliminating the control weakness outweighs the benefits to be received. However, management has and will continue to work towards developing alternative procedures that will help to mitigate the financial reporting risk of the District.

# Juniper Riviera County Water District

(A Special District)

## SCHEDULE OF PRIOR YEAR FINDINGS

For the Year Ended June 30, 2019

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### **FINDING 2018-1**

### **FINANCIAL REPORTING**

**Criteria:**

Similar to the vast majority of California special districts, the District does not have policies and procedures in place to ensure that complete and accurate financial statements including footnote disclosures and management's discussion and analysis, which conform to GASB 34 and the applicable governmental generally accepted accounting principles, are prepared and reviewed prior to the arrival of the independent auditors.

**Recommendation:**

Appropriate financial reporting policies and procedures need to be established so that a material misstatement of the financial statements will be prevented or detected by the District's system of internal control.

**Current Status:**

Not implemented. See Finding 2019-1.

### **FINDING 2018-2**

### **SEGREGATION OF DUTIES**

**Criteria:**

An effective system of internal control requires that employees who have access to the District's assets do not also have access to accounting records that are used to maintain control over the assets. In addition, all significant financial transactions need to be reviewed by another informed employee. Due to the limited size of the staff, an appropriate segregation of duties cannot always be maintained.

**Recommendation:**

If the District determines that it cannot fully remediate the control weakness, management should develop alternative procedures which may help to mitigate the financial reporting risk of the District.

**Current Status:**

Not implemented. See Finding 2019-2.