

**Juniper Riviera
County Water District**

Report on Audit

June 30, 2020

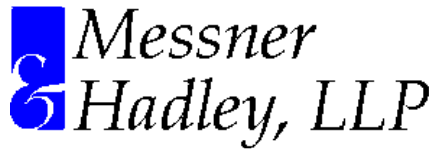
Juniper Riviera County Water District

(A Special District)

June 30, 2020

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

Certified Public Accountants

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, 2020, 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.

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, 2020, 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 15, 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 January 4, 2022, 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

Apple Valley, California
January 4, 2022

Juniper Riviera County Water District

(A Special District)

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2020

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, 2020. 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, 2020

STATEMENTS OF NET POSITION

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. The District's net position at June 30, 2020 totaled \$1,093,628. This compares to \$1,088,643 at June 30, 2019. A summary of the District's net position is presented below.

	2020	2019	Net Change
Current assets	\$ 195,702	\$ 150,741	\$ 44,961
Capital assets, net	864,521	924,334	(59,813)
Other noncurrent assets	103,382	130,126	(26,744)
Total assets	<u>\$ 1,163,605</u>	<u>\$ 1,205,201</u>	<u>\$ (41,596)</u>
Current liabilities	\$ 27,977	\$ 61,558	\$ (33,581)
Noncurrent liabilities	42,000	55,000	(13,000)
Total liabilities	<u>\$ 69,977</u>	<u>\$ 116,558</u>	<u>\$ (46,581)</u>
Net position			
Investment in capital assets, net of related debt	\$ 809,521	\$ 818,334	\$ (8,813)
Restricted	103,382	130,126	(26,744)
Unrestricted	180,725	140,183	40,542
Net position	<u>\$ 1,093,628</u>	<u>\$ 1,088,643</u>	<u>\$ 4,985</u>

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

The following Condensed Statements of Revenues, Expenses and Changes in Net Position summarize the District's operating results for the years ended June 30:

Operating revenues	\$ 126,089	\$ 123,495	\$ 2,594
Operating expenses	<u>323,010</u>	<u>281,114</u>	<u>41,896</u>
Operating income	(196,921)	(157,619)	(39,302)
Nonoperating revenues	204,594	187,446	17,148
Nonoperating expenses	<u>2,688</u>	<u>6,822</u>	<u>(4,134)</u>
Change in net position	4,985	23,005	(18,020)
Net Position - Beginning	1,088,643	1,065,638	23,005
Net Position - Ending	<u>\$ 1,093,628</u>	<u>\$ 1,088,643</u>	<u>\$ 4,985</u>

The Statements of Revenues, Expenses and Changes in Net Position reflect an increase in net position in both 2020 and 2019.

STATEMENTS OF CASH FLOWS

The Statements of Cash Flows present information related to cash inflows and outflows, summarized by operating, capital and related financing and investing activities. Cash provided by operating activities includes cash received from customers for water sales and reduced by employee payroll and payments to suppliers. Cash used by capital and related financing activities includes principal and interest paid on bonds, and the purchase of capital assets. Cash provided by investing activities includes interest income.

Juniper Riviera County Water District

(A Special District)

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2020

STATEMENTS OF CASH FLOWS (continued)

The following summarizes the District's cash flows:

	<u>2020</u>	<u>2019</u>	<u>Net Change</u>
Cash flows provided (used) by:			
Operating activities	\$ (130,707)	\$ -	\$ (130,707)
Capital and related financing activities	150,100	-	150,100
Investing activities	<u>169</u>	<u>-</u>	<u>169</u>
Net increase (decrease) in cash and cash equivalents	19,562	-	19,562
Cash and cash equivalents - beginning	<u>238,493</u>	<u>-</u>	<u>238,493</u>
Cash and cash equivalents - ending	<u>\$ 258,055</u>	<u>\$ -</u>	<u>\$ 258,055</u>

CAPITAL ASSETS

The following summarizes capital assets at June 30:

	<u>2020</u>	<u>2019</u>	<u>Net Change</u>
Land	\$ 29,799	\$ 29,799	\$ -
Plant and equipment	2,580,332	2,580,332	-
Accumulated depreciation	<u>(1,745,610)</u>	<u>(1,685,797)</u>	<u>(59,813)</u>
Total Capital Assets	<u>\$ 864,521</u>	<u>\$ 924,334</u>	<u>\$ (59,813)</u>

LONG-TERM LIABILITIES

The following summarizes outstanding long-term debt at June 30:

	<u>2020</u>	<u>2019</u>	<u>Net Change</u>
Bonds Payable	<u>\$ 55,000</u>	<u>\$ 106,000</u>	<u>\$ (51,000)</u>

ECONOMIC FACTORS AND FUTURES BUDGET CONSIDERATIONS

The District has completed an annual budget for fiscal year 2020-2021 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

Juniper Riviera County Water District

(A Special District)

STATEMENT OF NET POSITION

June 30, 2020

ASSETS

Current assets:

Cash and cash equivalents	\$ 148,266
Accounts receivable	35,721
Prepaid expenses	11,715
Total current assets	<u>195,702</u>

Restricted assets:

Cash and cash equivalents	<u>103,382</u>
Total non-current assets	103,382

Capital assets:

Utility plant, net	<u>864,521</u>
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TOTAL ASSETS \$ 1,163,605

LIABILITIES

Current liabilities:

Accounts payable	\$ 8,858
Accrued expenses	5,431
Accrued interest	688
Current portion of long-term debt	13,000
Total current liabilities	<u>27,977</u>

Non-current liabilities

Bonds payable	<u>42,000</u>
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Total liabilities

69,977

NET POSITION

Invested in capital assets, net of related debt	809,521
Restricted	103,382
Unrestricted	180,725
Total net position	<u>1,093,628</u>

TOTAL LIABILITIES AND NET POSITION \$ 1,163,605

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, 2020

OPERATING REVENUES

Water sales	\$ 126,089
Total operating revenues	<u>126,089</u>

OPERATING EXPENSES

Source of supply	13,136
Transmission and distribution	81,493
Pumping power	31,019
General and administrative	137,549
Depreciation	59,813
Total operating expenses	<u>323,010</u>

OPERATING LOSS

(196,921)

NON-OPERATING REVENUES (EXPENSES)

Interest income	169
Property tax and assessments	161,156
Standby charges	41,110
Gain/loss on sale of fixed assets	2,159
Bond interest expense	(2,688)
Total non-operating revenues (expenses)	<u>201,906</u>

CHANGE IN NET POSITION

4,985

Net Position - Beginning 1,088,643

Net Position - Ending \$ 1,093,628

See Accompanying Notes and Auditors' Report

Juniper Riviera County Water District

(A Special District)

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2020

Cash flows from operating activities

Receipts from customers	130,767
Payments to suppliers	(140,539)
Payments related to payroll	<u>(120,935)</u>
Net cash used in operating activities	(130,707)

Cash flows from capital and related financing activities

Property tax receipts	161,156
Standby charges collected	41,110
Other income received	2,159
Payments on long term debt principal	(51,000)
Interest paid on long term debt	<u>(3,325)</u>
Net cash provided by capital and related financing activities	150,100

Cash flows from investing activities

Interest receipts	<u>169</u>
Net cash provided by investing activities	<u>169</u>

NET DECREASE IN CASH

19,562

Cash - Beginning

238,493

Cash - Ending

\$ 258,055

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

Reconciliation of operating loss to cash used in operating activities:

Operating income \$ (196,921)

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

Depreciation 59,813

Changes in assets and liabilities:

Accounts receivable 4,678

Prepayments (384)

Current Liabilities 2,107

NET CASH USED IN OPERATING ACTIVITIES

\$ (130,707)

See Accompanying Notes and Auditors' Report

Juniper Riviera County Water District

(A Special District)

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

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 Basis

The District’s financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

Reporting Entity

For financial reporting purposes, Juniper Riviera County Water District has included all funds, organizations, agencies, boards, districts and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District’s financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of organization’s governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Juniper Riviera County Water District has no component units which meet the Governmental Accounting Standards Board criteria.

Basis of Presentation

The accounts of the District are organized as an Enterprise Fund. Enterprise Funds are used to account for operations (a) financed and operated in a manner similar to private business enterprises, where the intent of the governing body is the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Measurement Focus and Basis of Accounting

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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The District distinguishes operating revenues from nonoperating revenues. Operating revenues generally result from providing services in connection with the District's principal ongoing operations. All revenues not meeting this definition are reported as nonoperating revenues.

Income Taxes

The District, as a political subdivision of the State of California, is exempt from income taxes.

Juniper Riviera County Water District

(A Special District)

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 expenses during the reporting periods. Actual results could differ from those estimates.

Cash, Cash Equivalents and Pooled Investments

The District considers all short term investments that are highly liquid to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Restricted Cash

Funds set aside for payment of debt issuances are classified as restricted.

Accounts Receivable

The District recognizes bad debt expense on the direct write-off method.

Inventory

Inventories are valued at the lower of cost (first in, first out) or market. Inventories consist of parts for the assembly and repair of new and existing water systems. When inventory is used for capital projects, it is included as a cost of the related project. Excess inventory held for sale is stated at estimated realizable value.

Capital Assets

Capital assets are accounted for at historical cost. The cost of repair and maintenance are charged to expense while the cost of renewals or substantial betterments is capitalized. The cost and accumulated depreciation/amortization of assets disposed of are deleted, with any gain or loss recorded in current operations.

Reportable capital assets are defined by the District as assets with initial, individual costs in excess of \$1,000 and estimated useful lives in excess of two years.

Capital assets of the District are depreciated/amortized using the straight line method over the following useful lives:

<u>Classifications</u>	<u>Estimated Useful Lives</u>
Utility plant	10-50 years
Building	30 years
Transportation equipment	8 years
Office furniture and equipment	5 years

Juniper Riviera County Water District

(A Special District)

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources, 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.

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.

NOTE 3 – CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Balance June 30, 2019	Adjustments/ Additions	Deletions	Balance June 30, 2020
Capital Assets:				
Transportation equipment	\$ 54,093	\$ -	\$ -	\$ 54,093
Office equipment	8,924	-	-	8,924
Building	44,507	-	-	44,507
Utility plant	2,472,808	-	-	2,472,808
Land	29,799	-	-	29,799
Total Capital Assets	2,610,131	-	-	2,610,131
Transportation equipment	50,260	2,000	-	52,260
Office equipment	8,923	-	-	8,923
Building	39,115	1,420	-	40,535
Utility plant	1,587,499	56,393	-	1,643,892
Total Accumulated Depreciation	1,685,797	59,813	-	1,745,610
Capital Assets, net	<u>\$ 924,334</u>			<u>\$ 864,521</u>

Depreciation expense for the year was \$59,813.

NOTE 4 – 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, 2020, \$0 was outstanding. In 1984, issuance began on Series B consisting of \$285,000. As of June 30, 2020, \$55,000 was outstanding. The interest rate on both bonds is 5%.

Juniper Riviera County Water District

(A Special District)

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 4 – LONG-TERM OBLIGATIONS (continued)

Summarized below is the bond activity for the year:

	Balance July 1, 2019	Additions	Reductions	Due in one year	Long-term balance June 30, 2020
Series A	\$ 38,000	\$ -	\$ 38,000	\$ -	\$ -
Series B	68,000	-	13,000	13,000	42,000
	<u>\$ 106,000</u>	<u>\$ -</u>	<u>\$ 51,000</u>	<u>\$ 13,000</u>	<u>\$ 42,000</u>

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

Year ending June 30,	Series B
2021	\$ 13,000
2022	13,000
2023	14,000
2024	<u>15,000</u>
	<u>\$ 55,000</u>

NOTE 5 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts: theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. 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 a Joint Powers Authority, Association of California Water Agencies Joint Power Insurance Authority (ACWA/JPIA). See the Joint Power Agreement (Note 6) for nature of participation. Settled claims have not exceeded this coverage in any of the past two fiscal years.

NOTE 6 – 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 |

Juniper Riviera County Water District

(A Special District)

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 7 – SUBSEQUENT EVENTS

Events occurring after June 30, 2020 have been evaluated for possible adjustment to the financial statements or disclosure, as of January 4, 2022, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

Juniper Riviera County Water District

(A Special District)

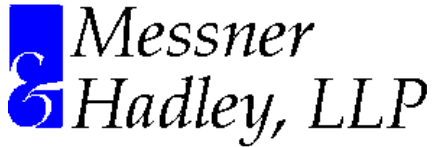
SCHEDULE OF OPERATING EXPENSES

For the Year Ended June 30, 2020

Source of supply	
Purification and testing	\$ 10,240
Water	2,896
Total	<u>\$ 13,136</u>
Transmission and distribution	
Labor and payroll cost	\$ 37,417
Maintenance and repair	44,076
Total	<u>\$ 81,493</u>
Pumping Power	
Southern California Edison	<u>\$ 31,019</u>
General and administrative	
Labor and payroll costs	\$ 83,518
Building maintenance & non system repairs	2,909
Contributions	545
Office supplies and expense	8,138
Office utilities and alarm monitoring	6,545
Insurance	10,449
Directors fees	4,500
Legal, accounting and other professional fees	17,760
Miscellaneous	3,185
Total general and administrative	<u>\$ 137,549</u>
Depreciation	<u>\$ 59,813</u>

See Accompanying Notes and Auditors' Report

OTHER INDEPENDENT AUDITORS' REPORT



Paul S. Messner, CPA
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Certified Public Accountants

**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, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 4, 2022.

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.

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

Apple Valley, California
January 4, 2022

FINDINGS AND RESPONSES

Juniper Riviera County Water District

(A Special District)

SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended June 30, 2020

FINDING 2020-1

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, 2020

FINDING 2020-2

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 developed alternative procedures to mitigate the financial reporting risk of the District, and will be putting these procedures into place in the coming fiscal year.

Juniper Riviera County Water District

(A Special District)

SCHEDULE OF PRIOR YEAR FINDINGS

For the Year Ended June 30, 2020

FINDING 2019-1

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 2020-1.

FINDING 2019-2

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 2020-2.