

**SOUTHERN COACHELLA VALLEY
COMMUNITY SERVICES DISTRICT**

ANNUAL AUDIT REPORT

FOR THE YEAR ENDED

June 30, 2023

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INDEPENDENT AUDITOR'S REPORT

Opinion

We have audited the accompanying basic financial statements of the Southern Coachella Valley Community Services District (the "District") as of and for the year ended June 30, 2023 as listed in the table of contents and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southern Coachella Valley Community Services District, as of June 30, 2023, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Southern Coachella Valley Community Services District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements related to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Southern Coachella Valley Community Services District's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibility

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exist. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in circumstances, but not for the purpose of expressing an opinion on the effectiveness of Southern Coachella Valley Community Services District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Southern Coachella Valley Community Services District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 19 to 20 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 management's discussion and analysis 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.

Cuttone & Mastro

Fresno, California
November 20, 2023

SOUTHERN COACHELLA VALLEY COMMUNITY SERVICES DISTRICT
STATEMENT OF NET POSITION
June 30, 2023

	Governmental Activities
ASSETS	
Cash and Investments	\$ 1,180,552
Interest Receivable	6,317
Due From Other Governments	40,667
Accounts Receivable	76,486
Right-To-Use Lease, Net of Accumulated Amortization	<u>2,400</u>
Total Assets	<u>\$ 1,306,422</u>
LIABILITIES	
Accounts Payable	\$ 144,333
Payable to Burrtec Waste & Recycling Service	<u>466,717</u>
Total Liabilities	<u>611,050</u>
NET POSITION	
Unrestricted funds	<u>695,372</u>
Total Net Position	<u>695,372</u>
Total Liabilities and Net Position	<u>\$ 1,306,422</u>

SOUTHERN COACHELLA VALLEY COMMUNITY SERVICES DISTRICT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2023

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue</u>
Primary Government:					
Governmental Activities:					
General Government	\$ 123,163	\$ -	\$ -	\$ -	\$ (123,163)
Law Enforcement	529,537	556,247	-	-	26,710
Trash and Public Services	<u>85,866</u>	<u>270,514</u>	<u>-</u>	<u>-</u>	<u>184,648</u>
Total Governmental Activities	\$ <u>738,566</u>	\$ <u>826,761</u>	\$ <u>-</u>	\$ <u>-</u>	<u>88,195</u>
General Revenues:					
					<u>14,618</u>
					<u>14,618</u>
					102,813
					<u>592,559</u>
					\$ <u>695,372</u>

SOUTHERN COACHELLA VALLEY COMMUNITY SERVICES DISTRICT
Governmental Funds
Balance Sheet
June 30, 2023

	General	Special Revenue Rubbish	Total Governmental Funds
ASSETS			
Cash and Investments	\$ -	\$ 1,180,552	\$ 1,180,552
Interest Receivable	-	6,317	6,317
Due From Other Governments	40,667	-	40,667
Accounts Receivable	<u>-</u>	<u>76,486</u>	<u>76,486</u>
 Total Assets	 \$ <u>40,667</u>	 \$ <u>1,263,355</u>	 \$ <u>1,304,022</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 139,550	\$ 4,783	\$ 144,333
Payable to Burrtec Waste & Recycling Services	<u>-</u>	<u>466,717</u>	<u>466,717</u>
 Total Liabilities	 <u>139,550</u>	 <u>471,500</u>	 <u>611,050</u>
Fund Balances:			
Committed for Rubbish	-	791,855	791,855
Unassigned	<u>(98,883)</u>	<u>-</u>	<u>(98,883)</u>
 Total Fund Balances (Deficit)	 <u>(98,883)</u>	 <u>791,855</u>	 <u>692,972</u>
 Total Liabilities and Fund Balances	 \$ <u>40,667</u>	 \$ <u>1,263,355</u>	 \$ <u>1,304,022</u>

SOUTHERN COACHELLA VALLEY COMMUNITY SERVICES DISTRICT
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Position
June 30, 2023

Fund balances of governmental funds	\$ 692,972
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Right-To-Use Lease asset has not been included as financial resources in governmental fund activity.	2,400
Capital assets net of depreciation have not been included as financial resources in governmental fund activity.	
Capital Assets	62,761
Accumulated Depreciation	<u>(62,761)</u>
Net Position of Governmental Activities	<u>\$ 695,372</u>

SOUTHERN COACHELLA VALLEY COMMUNITY SERVICES DISTRICT
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balance (Deficit)
Year Ended June 30, 2023

	General	Special Revenue Rubbish	Total Governmental Funds
REVENUES			
Special Assessments	\$ 556,247	\$ -	\$ 556,247
Franchise Fees	-	270,514	270,514
Investment Earnings	-	14,618	14,618
Total Revenues	<u>556,247</u>	<u>285,132</u>	<u>841,379</u>
EXPENDITURES			
Services and Supplies:			
Advertising	662	-	662
Collection Fees	322	-	322
Graffiti Cleanup	-	2,784	2,784
Insurance	5,877	-	5,877
Interest Expense	1,943	-	1,943
Law Enforcement	529,537	-	529,537
Membership	4,495	-	4,495
Office Expense	1,663	-	1,663
Professional Services	94,610	79,482	174,092
Rent	8,500	-	8,500
Seminars & Conferences	685	-	685
Utilities	4,406	-	4,406
Lease Financing Principal Payment	-	3,600	3,600
Total Expenditures	<u>652,700</u>	<u>85,866</u>	<u>738,566</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(96,453)	199,266	102,813
OTHER FINANCING SOURCES (USES):			
Transfers in	63,280	-	63,280
Transfers out	-	(63,280)	(63,280)
Total other financing sources (uses)	<u>63,280</u>	<u>(63,280)</u>	<u>-</u>
Net Change in Fund Balance (Deficit)	(33,173)	135,986	102,813
Fund Balance (Deficit) - Beginning	(65,710)	655,869	590,159
Fund Balance (Deficit) - Ending	\$ <u>(98,883)</u>	\$ <u>791,855</u>	\$ <u>692,972</u>

SOUTHERN COACHELLA VALLEY COMMUNITY SERVICES DISTRICT
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance
Of Governmental Funds to the Statement of Activities
Year Ended June 30, 2023

Net Change in Fund Balances - Total Governmental Funds	\$ 102,813
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Amounts reported for governmental activities in the statement of activities
are different because:

Governmental funds report the Lease Right-To-Use Asset as an expenditure.

However, in the Statement of Activities the cost of this asset is allocated over the
lease term as amortization expense of Right-To-Use Lease Asset

Amortization of Right-To Use Asset	(3,600)
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The issuance of Lease Liability provides current financial resources to governmental
funds, while repayment of the principal of long-term debt consumes the current
financial resources of the governmental funds

Lease payment made	<u>3,600</u>
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Change in Net Position of Governmental Activities	\$ <u>102,813</u>
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SOUTHERN COACHELLA VALLEY COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

Year Ended June 30, 2023

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Southern Coachella Valley Community Services District (the District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A) Reporting Entity

The Southern Coachella Valley Community Services District was formed November 4, 1986 for the purpose of providing police protection and personal safety under Section 61000 et. seq. of the Government Code.

The District Office and records are located at 91260 Avenue 66, Mecca, California, 92254, telephone number (760) 396-1014.

District Directors are as follows:

<u>Name</u>	<u>Title</u>
Rebecca Broughton	President
Amy Wells	Vice President
Eugene Kitagawa	Member
Maria Machuca	Member

The Board of Directors meets the third Thursday of each month.

B) Government-wide and Fund Financial Statements

Government-wide Financial Statements: The Government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government (the District). For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All District activities are governmental; no business-type activities are reported in the statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are expenses that are clearly identifiable with a specific program, project, function or segment. Program revenues of the District include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items that are properly not included among program revenues are reported instead as general revenues.

Fund Financial Statements: Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major funds. The District has two governmental funds and both are reported as major funds; no non-major funds are reported in the statements.

SOUTHERN COACHELLA VALLEY COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

Year Ended June 30, 2023

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C) Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide 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 revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the providers have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Interest associated with the current fiscal period is considered to be susceptible to accrual, and is therefore recognized as revenue of the current fiscal period.

The District reports the following major governmental funds:

The General Fund is the operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

The Rubbish Fund is used to account for franchise fee revenues generated by Burrtec Waste Industries and expenditures related to trash and trash related public services provided by the District.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. Direct expenses have not been eliminated from the functional categories; indirect expenses and internal payments have been eliminated.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then use unrestricted resources as they are needed.

D) Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Currently, the District does not report any deferred outflows.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Currently, the District does not report any deferred outflows.

SOUTHERN COACHELLA VALLEY COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

Year Ended June 30, 2023

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

E) Net Position

The difference between assets, liabilities and deferred inflow of resources is reported as net position. Net position is classified as either net investment in capital assets, restricted, or unrestricted.

Net position classified as net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding principal of related debt. As of June 30, 2023 the District's net investment in capital assets was zero. Restricted net position is the net position that has external constraints placed on them by creditors, grantors, contributors, laws, or regulations of other governments, or through constitutional provisions, or enabling legislation. Unrestricted net position consists of net position that does not meet the definition of net investment in capital assets or restricted net position.

F) Fund Equity

Fund balances in governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The District considers restricted fund balance to have been spent first when expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Similarly, when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used, the District considers committed amounts to be reduced first, followed by assigned amounts and then unassigned amounts.

The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable Fund Balance - Amounts that cannot be spent either because they are in nonspendable form or are required to be maintained intact.

Restricted Fund Balance - Amounts that are constrained to specific purposes by state or federal laws, or externally imposed conditions by grantors or creditors.

Committed Fund Balance - Amounts that can only be used for specific purposes pursuant to constraints imposed by the Board of Directors, the District's highest level of decision-making authority, through an ordinance or resolution. Committed amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified uses through the same type of formal action taken to establish the commitment.

Assigned Fund Balance - Amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. The Board of Directors delegates the authority to assign amounts to be used for specific purposes to the General Manager.

Unassigned Fund Balance - These are either residual positive net resources in excess of what can properly be classified in one of the other four categories, or negative balances.

SOUTHERN COACHELLA VALLEY COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

Year Ended June 30, 2023

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

G) Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities' columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of 1 year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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.

Property, plant and equipment is depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Equipment	5 - 7

H) Cash and Investments

As a governmental entity other than an external investment pool in accordance with GASB 31, the District's investments are stated at fair value except for interest-earning investment contracts (Note 2).

In applying GASB 31, the District utilized the following methods and assumptions:

- 1) Fair value is based on quoted market prices as of the valuation date;
- 2) The portfolio did not hold investments in any of the following:
 - a) Items required to be reported at amortized cost,
 - b) Items in external pools that are not SEC-registered,
 - c) Items subject to involuntary participation in an external pool,
 - d) Items associated with a fund other than the fund to which the income is assigned;

I) Use of Estimates in the Preparation of Financial Statements

The financial statements have been prepared in accordance with generally accepted accounting principles and necessarily include amounts based on estimates and assumptions by Management. Actual results could differ from those amounts.

J) Budgets and Budgetary Accounting

An annual budget is adopted for the General Fund and special revenue fund in total and on a modified accrual basis consistent with Generally Accepted Accounting Principles (GAAP). The Budgetary Comparison Schedule for the General Fund is included in the required supplementary information on pages 20 and 21.

SOUTHERN COACHELLA VALLEY COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

Year Ended June 30, 2023

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

K) Special Assessment Calendar

Special assessments are collected through Riverside County’s property tax collections each fiscal year according to the following calendar:

Lien Date	January 01	
Levy Date	July 01	
Due Date	November 01	- 1st installment
	February 01	- 2nd installment
Delinquent Date	December 10	- 1st installment
	April 10	- 2nd installment

L) Leases

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

M) Income Tax

The District qualifies for tax exempt status as an internal part of the State of California or a political subdivision in accordance with the Internal Revenue Code (IRC) Section 115. As a result, no tax provisions apply to the District’s income.

2) CASH AND INVESTMENTS

Cash and Investments consist of the following:

Deposits with Financial Institutions	\$ 398,279
Investments- LAIF	<u>782,273</u>
Total Cash and Investments	<u>\$ 1,180,552</u>

Investments Authorized by the California Government Code and the District’s Investment Policy

The table below identifies the investment types that are authorized for the 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 trustee 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’s investment policy.

SOUTHERN COACHELLA VALLEY COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

Year Ended June 30, 2023

2) CASH AND INVESTMENTS - Continued

Investments Authorized by the California Government Code and the District's Investment Policy - Continued

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One issuer</u>
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Obligations	5 years	None	None
Negotiable Certificates of Deposits (CDs)	5 years	30%	None
Non-negotiable CDs	5 years	None	None
Collateralized Bank Deposits	5 years	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None

*Excluding amounts held by bond trustee that are not subject to California Government Code restrictions.

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 an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Currently, the District only invests in LAIF, which is managed by the Treasurer of the State of California. The LAIF investment does not have a maturity.

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The LAIF investment is not rated.

Concentration of Credit Risk

The investment policy of the District contains no limitation on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. As of June 30, 2023 the District's only investment is in the LAIF.

Investment in State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. The District may withdraw monies upon one-day-notice. The average monthly effective yield for June 30, 2023 was 3.167%. The District's investment in the Local Agency Investment Fund was not subject to credit risk categorization and is carried at amortized cost which approximates fair value. All pooled funds are regulated by the California Government Code.

SOUTHERN COACHELLA VALLEY COMMUNITY SERVICES DISTRICT
Notes to Financial Statements
Year Ended June 30, 2023

2) CASH AND INVESTMENTS - Continued

Continued 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 deposits 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 or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

At June 30, 2023 the carrying amount of the District's deposits was \$398,279 and the balance in US Bank was \$429,959. Of the balance in US Bank, \$250,000 was insured by Federal Deposit Insurance Corporation. At June 30, 2023, as required by State law (Government Code Section 53630), the amount collateralized by the US Bank was \$179,959 with assets held in common pool for the District and other government agencies, but not in the name of the District.

3) FAIR VALUE MEASUREMENTS

Governmental Accounting Standards Board (GASB) Statement No. 72, Fair Value Measurements and Application, provides the framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value with Level 1 given the highest priority and Level 3 the lowest priority. The three levels of the fair value hierarchy are as follows: Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the organization has the ability to access at the measurement date.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include the following:

- a. Quoted prices for similar assets or liabilities in active markets.
- b. Quoted prices for identical or similar assets or liabilities in markets that are not active.
- c. Inputs other than quoted prices that are observable for the asset or liability (for example, interest rates and yield curves observable at commonly quoted intervals, volatilities, prepayment speeds, loss severities, credit risks, and default rates).
- d. Inputs that are derived principally from or corroborated by observable market data by correlation or other means (market-corroborated inputs).

Level 3 inputs are unobservable inputs for the asset or liability.

The LAIF investments do not fall under the fair value hierarchy (ie. uncategorized) as there is no active market for the investments.

SOUTHERN COACHELLA VALLEY COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

Year Ended June 30, 2023

4) INTERFUND TRANSFERS AND ADVANCES

For the year ending June 30, 2023 the Rubbish Special Revenue Fund had advanced the General Fund \$63,280 as a result of cash shortfalls recorded in the General Fund.

In 2016 the Board passed a resolution to allow the General Fund to borrow the committed funds of the Rubbish Special Revenue Fund. The borrowed funds were required to be repaid during the same fiscal year from the collection of service fees. The borrowed funds have never been repaid.

The District's General Fund has not been able to repay any of the borrowed funds and General Fund has had recurring periods in which expenses/expenditures significantly exceeded revenues. These factors raise substantial doubt about the District's General Fund's ability to repay the borrowings. It is expected that the Board will pass a resolution to forgive the borrowings between the funds and allow the committed funds of the Rubbish Special Revenue Fund to be used by the General Fund in the future.

Because the interfund loans are not expected to be repaid within a reasonable period of time they have been reclassified as interfund transfers for the year ended June 30, 2023.

5) DEFICIT FUND BALANCE

The District's General Fund has a deficit fund balance of \$98,883 as of June 30, 2023. This deficit is expected to be eliminated when the committed funds of the Rubbish Special Revenue Fund are used by the General Fund. The General Fund will report a transfer in and the Rubbish Special Revenue Fund will report a transfer out as the liabilities of the General Fund are paid and the Special Revenue Fund's cash is used to pay the liabilities of the General Fund.

6) DUE FROM OTHER GOVERNMENTS

The District received \$40,667 of assessments from the County of Riverside in July and August 2023 for assessments that were levied for the 2022-2023 fiscal year.

7) CAPITAL ASSETS

Capital asset activity for the year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, Being Depreciated				
Equipment	\$ <u>62,761</u>	\$ _____	\$ _____	\$ 62,761
Less: Accumulated Depreciation	<u>(62,761)</u>	_____	_____	<u>(62,761)</u>
Capital Assets, Net of Depreciation	\$ _____	\$ _____	\$ _____	\$ _____

SOUTHERN COACHELLA VALLEY COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

Year Ended June 30, 2023

8) RIGHT-TO-USE LEASE ASSET AND LEASE LIABILITY

Effective March 1, 2022 the District entered into a lease for 5 acres in Thermal, California which expires on February 28, 2024. The lease for the 5-acre parcel requires \$300 per month and payment shall be one year in advance. The first payment of \$3,600 was made February 28, 2022 and the second payment was due February 28, 2023. Any additional costs incurred by the Owner because of the District's use of this parcel, shall be submitted to the District at the end of each year for consideration of payment by the District. Usage of the parcel by the District shall consist of storage of roll-off waste containers, monthly collection of community waste in the roll-off container and storage of vehicles and trailers. Interest under the agreement was minimal and not reflected in the payments.

	Beginning Balance <u>7/1/22</u>	Additions	Deletions	Ending Balance <u>6/30/23</u>
Right-to-use lease (asset)	\$ 7,200	\$ -	\$ -	\$ 7,200
Less accumulated amortization	<u>(1,200)</u>	<u>(3,600)</u>	-	<u>(4,800)</u>
Net Right-to-use lease asset	\$ <u>6,000</u>	\$ <u>(3,600)</u>	\$ <u>-</u>	\$ <u>2,400</u>

A summary of the District's lease liability is as follows:

	Beginning Balance <u>7/1/22</u>	Additions	Reductions	Ending Balance <u>06/30/23</u>	Current Portion
Lease Liability	\$ <u>3,600</u>	\$ <u>-</u>	\$ <u>3,600</u>	\$ <u>-</u>	\$ <u>-</u>

9) ACCOUNTS PAYABLE

Included in accounts payable is \$131,628 due to the County of Riverside Sheriff's Department for contract law enforcement provided prior to June 30, 2023.

10) JOINT VENTURES

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to personnel; and natural disasters. The District participants in a joint venture under the joint powers agreement, the Special District Risk Management Authority (SDRMA). The relationship between the District and the SDRMA is such that the SDRMA is not a component unit of the District for financial reporting purposes.

The SDRMA arranges for property and liability coverage protection and risk management services for its members, all of which are public agencies located in California. SDRMA is governed by a board of directors consisting of representatives from member districts. The board controls the operations of SDRMA, including selection of management and approval of operating budgets, independent of any influence by member districts beyond their representation on the board. Each member district pays a premium commensurate with the level of coverage required and shares surpluses and deficits proportionately to their participation in SDRMA.

SOUTHERN COACHELLA VALLEY COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

Year Ended June 30, 2023

10) JOINT VENTURES, continued

The most current condensed financial information available of SDRMA is as follows:

	Audited June 30, 2023
Total Assets and Deferred Outflows	\$ 148,239,191
Total Liabilities and Deferred Inflows	<u>76,717,988</u>
Total Net Position	\$ <u>71,521,203</u>
Total Revenue	\$ 100,884,445
Total Expenses	<u>96,047,040</u>
Net Change In Net Position	\$ <u>4,178,074</u>

11) COMMITMENTS

Law Enforcement Service Agreement

The District entered into an agreement with the County of Riverside to provide municipal police protection within the geographical limits of the District. The duties shall encompass duties and functions of the type falling under the jurisdiction of and customarily rendered by the Sheriff under state statutes. The term of the agreement was for July 1, 2015 through June 30, 2020 and upon approval by both parties may automatically renew annually for five years. The District shall reimburse the County for the cost of rendering services pursuant to this agreement. Costs of services shall be established and approved by the County Board of Supervisors in the form of an hourly rate for personnel services, a mileage rate, facilities charge and shall include all items of cost and expense to the Sheriff for providing the services. Either party may terminate the agreement as of the beginning of the first day of July of any year upon notice of not less than six months prior thereto.

General Management Service Agreement

The District entered into an agreement with Crowson Management, Inc. (Contractor) effective January 16, 2020 to January 15, 2025 to provide general management services. The fees for service are \$7,500 per month plus compensation at a rate of \$22 per hour for any extra work beyond the scope of the General Manager services. Services may be terminated by the Board for convenience or with cause at any time with 30 days written notice. Should the District terminate the agreement early, without cause, mutual written agreement of the District and Contractor or dissolution of the Contractor's business, they agree to a termination payment equal to 12 months of compensation at a rate of \$7,500 per month.

Integrated Solid Waste Management Services

The District entered into an agreement with Burrtec Waste and Recycling Services, LLC to provide exclusive rights for Burrtec to provide waste services in the Therma, Oasis, Mecca, and Vista Santa Rosa Areas. The agreement dated February 15, 2007 has been amended and extended through June 30, 2027. The agreement shall automatically extend for an additional 5 years unless either party provide written notice to the other of its intent not to extend the term, not later than one hundred twenty (120) days prior to the end of any year of the term. The District shall receive 12% of all gross receipts and 6.4% of all apportionments.

REQUIRED SUPPLEMENTARY INFORMATION

SOUTHERN COACHELLA VALLEY COMMUNITY SERVICES DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balance (Deficit)
Budget and Actual - General Fund
Year Ended June 30, 2023

	Budget Amount		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES				
Special Assessments	\$ 600,000	\$ 600,000	\$ 556,247	\$ (43,753)
Investment Earnings	<u>5,000</u>	<u>5,000</u>	-	<u>(5,000)</u>
Total Revenues	<u>605,000</u>	<u>605,000</u>	<u>556,247</u>	<u>(48,753)</u>
EXPENDITURES				
Services and Supplies				
Advertising	5,250	5,250	662	4,588
Collection Fees	700	700	322	378
Insurance	6,000	6,000	5,877	123
Interest Expense	-	-	1,943	(1,943)
Law Enforcement	548,472	548,472	529,537	18,935
Membership	2,000	2,000	4,495	(2,495)
Office Expense	2,500	2,500	1,663	837
Professional Services	100,400	100,400	94,610	5,790
Rent	10,200	10,200	8,500	1,700
Seminars & Conferences	500	500	685	(185)
Utilities	<u>4,000</u>	<u>4,000</u>	<u>4,406</u>	<u>(406)</u>
Total Expenditures	<u>680,022</u>	<u>680,022</u>	<u>652,700</u>	<u>27,322</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(75,022)</u>	<u>(75,022)</u>	<u>(96,453)</u>	<u>(21,431)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	63,280	63,280
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>63,280</u>	<u>63,280</u>
Net Change in Fund Balance (Deficit)	\$ <u>(75,022)</u>	\$ <u>(75,022)</u>	(33,173)	\$ <u>41,849</u>
Fund Balance (Deficit) - Beginning			<u>(65,710)</u>	
Fund Balance (Deficit) - Ending			\$ <u>(98,883)</u>	

SOUTHERN COACHELLA VALLEY COMMUNITY SERVICES DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Rubbish Fund
Year Ended June 30, 2023

	Budget Amount		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Franchise Fees	\$ 220,000	\$ 220,000	\$ 270,514	\$ 50,514
Investment Earnings	<u>5,000</u>	<u>5,000</u>	<u>14,618</u>	<u>9,618</u>
Total Revenues	<u>225,000</u>	<u>225,000</u>	<u>285,132</u>	<u>60,132</u>
EXPENDITURES				
Services and Supplies				
Community Projects	13,000	13,000	-	13,000
Graffiti Cleanup	3,000	3,000	2,784	216
Professional Services	68,400	68,400	79,482	(11,082)
Rent	<u>3,600</u>	<u>3,600</u>	<u>3,600</u>	<u>-</u>
Total Expenditures	<u>88,000</u>	<u>88,000</u>	<u>85,866</u>	<u>2,134</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>137,000</u>	<u>137,000</u>	<u>199,266</u>	<u>62,266</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	-	(63,280)	(63,280)
Lease Financing	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(63,280)</u>	<u>(63,280)</u>
Net Change in Fund Balance	\$ <u>137,000</u>	\$ <u>137,000</u>	(135,986)	\$ <u>(1,014)</u>
Fund Balance - Beginning			<u>655,869</u>	
Fund Balance - Ending			\$ <u>791,855</u>	

SOUTHERN COACHELLA VALLEY COMMUNITY SERVICES DISTRICT
Notes to Required Supplementary Information
Budget and Actual General Fund
Year Ended June 30, 2023

1. BUDGETARY DATA

Prior to the beginning of each year, the District adopts and files an itemized statement of estimated operating expenditures, reserve requirements and anticipated revenues with the County Auditor-Controller. The sources of finance for these operating costs and reserve requirements are (1) available fund balance carried forward from the preceding year, (2) revenues other than assessments and (3) assessments.