

Montalvo Community Services District

Financial Statements for the
Year Ended June 30, 2020 and
Independent Auditor's Report



ROGERS, ANDERSON, MALODY & SCOTT, LLP
CERTIFIED PUBLIC ACCOUNTANTS, SINCE 1948

Montalvo Community Services District

Financial Statements
For the Year Ended June 30, 2020

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Independent Auditor's Report

To the Board of Directors of the
Montalvo Community Services District

We have audited the accompanying financial statements of Montalvo Community Services District (District) as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit 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 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 basic financial statements are free of 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 entity'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 purposes of expressing an opinion on the effectiveness of the entity'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.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2020, and the respective changes in its financial position and cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 6 to the financial statements, the District has dissolved as of June 22, 2020. All remaining assets were transferred to the City of San Buenaventura. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 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 solely 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.

Rogers, Anderson, Malody & Scott, LLP.

San Bernardino, California
March 28, 2022

Montalvo Community Services District

Statement of Net Position
June 30, 2020

Assets	
Cash and cash equivalents	\$ 8,922
Total Current Assets	<u>8,922</u>
Total Assets	<u>8,922</u>
Liabilities	
Due to the City of San Buenaventura	<u>8,922</u>
Total Liabilities	<u>8,922</u>
Net Position	
Unrestricted	<u>-</u>
Total Net Position	<u><u>\$ -</u></u>

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

Montalvo Community Services District

Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2020

Operating Revenues	
Service charges	<u>\$ 1,278</u>
Operating Expenses	
Accounting and audit	26,208
Administration salaries and payroll taxes	34,195
Administrative fees	242
Board compensation and benefits	14,729
Fees and charges	271
Insurance	5,283
Legal and professional fees	18,012
Office	2,151
Rent	6,917
Telephone and utilities	889
Travel and conferences	3,966
Treatment services with City of Ventura	3,000
LAFCO Expense	9,313
Total Operating Expenses	<u>125,176</u>
Loss from Operations	<u>(123,898)</u>
Non-Operating Revenues (Expenses)	
Property taxes	337,641
Interest income	9,129
Miscellaneous revenue	1,509
Transfer to the City of San Buenaventura (Note 6)	<u>(590,738)</u>
Total Non-Operating Revenues (Expenses)	<u>(242,459)</u>
Change In Net Position	(366,357)
Total Net Position, Beginning Of Year	<u>366,357</u>
Total Net Position, End Of Year	<u><u>\$ -</u></u>

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

Montalvo Community Services District

Statement of Cash Flows
For the Year Ended June 30, 2020

Cash Flows From Operating Activities

Cash received from customers	\$ 1,278
Cash payments to employees	(36,586)
Cash payments for operating expenses	<u>(90,062)</u>
Net Cash Used For Operating Activities	<u>(125,370)</u>

Cash Flows From Noncapital Financing Activities

Property taxes	337,641
Miscellaneous	1,509
Transferred funds to City of San Buenaventura	<u>(590,738)</u>
Net Cash Used For Noncapital Financing Activities	<u>(251,588)</u>

Cash Flows From Investing Activities

Interest income	<u>12,071</u>
Net Decrease In Cash And Cash Equivalents	(364,887)
Cash And Cash Equivalents, Beginning Of Year	<u>373,809</u>
Cash And Cash Equivalents, End Of Year	<u>\$ 8,922</u>

Reconciliation of operating loss to net cash used for operating activities:

Operating loss	\$ (123,898)
Changes in assets and liabilities:	
(Increase) decrease in assets:	
Prepaid expenses	3,488
Increase (decrease) in liabilities:	
Accounts payable	(3,069)
Accrued expenses	<u>(2,391)</u>
Total adjustments	<u>(1,472)</u>
Net cash used for operating activities	<u>\$ (125,370)</u>

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

Montalvo Community Services District

Notes to Basic Financial Statements
For the Year Ended June 30, 2020

1. NATURE OF OPERATIONS

Montalvo Community Services District (District) was formed under California Statute 549, Senate Bill 808, dated May 4, 1955, and merged with Montalvo Sanitary District. The District provided sewage treatment and disposal services for the Montalvo community. As of June 22, 2020, the District has been dissolved in an agreement with the City of San Buenaventura with all remaining assets and operations transferred to the City.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity - The District's reporting entity includes all significant operation and revenue sources for which the District Board of Directors exercises oversight responsibility. Oversight responsibility is determined based on selection of the governing board, designation of management, ability to significantly influence operations, accountability for fiscal matters, and the scope of public service. There are no component units included in this report.

Basis of Accounting - The Montalvo Community Services District is accounted for as an enterprise fund in accordance with generally accepted accounting principles as applied to governmental units. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the expenses, including depreciation, of providing goods or services to the general public are recovered through user charges, or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, and other purposes. Because the District is accounted for as an enterprise fund, the District uses the economic resources measurement focus and the accrual basis of accounting is used for financial statement reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the Statement of Net Position. Net position is segregated into investment in capital assets and unrestricted.

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing goods and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the District are charges to customers for sales and services. Operating expenses include the cost of sales and services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Principles of Presentation -The accompanying financial statements are presented utilizing the accrual basis of accounting.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Montalvo Community Services District

Notes to Basic Financial Statements
For the Year Ended June 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents - For the purpose of the Statement of Cash Flows, the District considers all highly liquid investments with original maturities of 90 days or less to be cash and cash equivalents. The District considers funds in the Ventura County Treasury Fund and the State of California Local Agency Investment Fund to be cash equivalents.

Capital Assets - Capital assets that are acquired and/or constructed are capitalized at historical cost. Donated property is recorded at acquisition value at the date of donation. Capital assets are defined by the District with an initial, individual cost of more than \$500 and a useful life of five years or more. Depreciation is recorded on a straight-line basis over the estimated service lives, ranging from 5 to 40 years.

Compensated Absences - The District has no full-time employees that receive compensated absences.

Net Position - Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources on the financial statements. Net position is classified in the following categories:

- Net investment in capital assets - This category includes capital assets, net of accumulated depreciation and reduced by any outstanding debt related to the acquisition, construction, or improvement of those assets.
- Restricted - This category consists of net position with legal limitations imposed on their use by external restrictions by other governments, creditors, grantors, contributors, laws or regulations, or through constitutional provision or enabling legislation. As of June 30, 2020, the District did not have restricted net position.
- Unrestricted net position - This category consists of all other net position that does not meet the definition of restricted or invested in capital assets.

It is the District's policy to use restricted funds first, then unrestricted funds.

3. DEPOSITS AND INVESTMENTS

The District's carrying value of deposits with a bank was \$8,922 at June 30, 2020. The corresponding bank balance was \$9,999, all of which was covered by Federal deposit insurance. The California Government Code requires all financial institutions to secure a local government agency's deposit by pledging governmental securities as collateral. The market value of pledged securities must equal 110% of an agency's deposits. California law also allows financial institutions to secure an agency's deposits by pledging first trust deed mortgage notes having a value of 150% of an agency's total deposits, and collateral is considered to be held in the name of the District. All cash held by financial institutions is, therefore, entirely insured or collateralized.

Montalvo Community Services District

Notes to Basic Financial Statements
For the Year Ended June 30, 2020

3. DEPOSITS AND INVESTMENTS (Continued)

The District's investment policy established by the Board of Directors permits the District to invest in the County of Ventura investment pool, the Local Agency Investment Fund (LAIF) and commercial banks.

To address credit risk, the District invests its funds in accordance with state statutes and the District's investment policy. The criteria for selecting investments are, in order of priority, (1) safety - consideration of the potential loss of principal or interest, (2) liquidity - the ability to have funds available at any moment in time with a minimal potential loss and (3) yield - the optimum rate of return while preserving capital.

The District has no investments subject to fair value measurements.

4. DEFERRED COMPENSATION PLAN, IRC 457

The District has a deferred compensation plan established in accordance with Internal Revenue Code Section 457. Employees are eligible for participation in the Plan. The District funds all amounts of compensation deferred under the Plan through investments with Lincoln National Life Insurance Company. The funds are held for the exclusive benefit of plan participants and their beneficiaries. Plan assets are not the property of the District, or subject to the claims of the District's general creditors. The District paid \$745 in the current year.

5. RISK MANAGEMENT

The District is exposed to potential losses from claims arising from its business operations. Significant losses are covered by commercial insurance. There have been no significant reductions in insured coverage. Settlement amounts have not exceeded insurance coverage.

6. COMMITMENTS AND CONTINGENCIES

Agreement with the City of San Buenaventura for Closure of District's Wastewater Treatment Plant - On January 26, 2016, the District entered into an agreement, as amended, with the City of San Buenaventura (City) to provide for the City to annex property owned by the District. The District's wastewater treatment plant is located on such property and in accordance with the agreement the District has closed the plant. The City completed a sewer trunk line to transport all the District's sewer flows from the District's treatment plant to the City's wastewater treatment plant in February 2016. The City paid the costs of the construction and all resulting sewer connection fees. The District has abandoned and demolished its wastewater treatment plant and deeded the property to the City. Quitclaim deeds to the City were recorded with the Ventura County Recorder on April 6, 2017. As of July 2018, the City began directly billing all the sewer customers within the District.

Montalvo Community Services District

Notes to Basic Financial Statements
For the Year Ended June 30, 2020

6. COMMITMENTS AND CONTINGENCIES (Continued)

Additionally, in accordance with the agreement, the District began transferring excess cash reserves starting during the year ended June 30, 2017. \$848,393 and \$305,357 were transferred to the City during the years ended June 30, 2019 and 2018, respectively. As of June 30, 2020, the District has been dissolved and most remaining cash reserves and assets were transferred to the City, except for one small cash account transferred subsequent to this date.



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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

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Certified Public Accountants



Independent Auditor's Report

To the Board of Directors of
Montalvo Community Services District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Montalvo Community Services 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 March 28, 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) as a basis for designing 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. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of 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*.

Purpose of this Report

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 entity's internal control or compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rogers, Anderson, Malody & Scott, LLP.

San Bernardino, California
March 28, 2022