

**QUINCY COMMUNITY SERVICES DISTRICT**

**AUDIT REPORT  
FOR THE YEAR ENDED  
JUNE 30, 2018**

**QUINCY COMMUNITY SERVICES DISTRICT  
AUDITED FINANCIAL STATEMENTS  
JUNE 30, 2018**

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# **FINANCIAL SECTION**

## Independent Auditors' Report on Financial Statements

Board of Directors  
Quincy Community Services District  
Quincy, CA

We have audited the accompanying financial statements of the business-type activities and each major fund of the Quincy Community Services District (District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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.

### **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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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.

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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 and each major fund of Quincy Community Services District as of June 30, 2018, and the respective 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.

## **Other Matters**

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of Proportionate Share of Net Position Liability-CalPERS, the Schedule of District Contributions-CalPERS, the Schedule of the District's Proportionate Share of the Net OPEB Liability, Schedule of District OPEB Contributions, and Schedule of Changes in the District's Total OPEB Liability and Related Ratios, identified in the table of contents be presented to supplement the basic financial statements. Such information, although not a basic part of the 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.

### Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Prescribed Form Statement of Income, Expense and Net Income, and Statements of Operations-Budget and Actual are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Prescribed Form Statement of Income, Expenses and Net Income and Statements of Operations-Budget and Actual are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Statement of Operations-Budget and Actual Water Fund, and the Statement of Operations-Budget and Actual Wastewater Fund are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Prescribed Form Statement of Income, Expenses and Net Income, and the Statement of Operations-Budget and Actual Wastewater Collection Fund, and the Statement of Operations-Budget and Actual Wastewater Treatment Fund has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

#### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2019, 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 the 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.

Respectfully Submitted,



**SingletonAuman PC**  
**Susanville, CA**  
January 31, 2019

**QUINCY COMMUNITY SERVICES DISTRICT**  
**Management's Discussion and Analysis (MD&A)**  
**June 30, 2018**

**INTRODUCTION**

Quincy Community Services District's present operations include providing water and wastewater services to residents of the District. The District also awards and administers the solid waste (garbage) collection franchise within the District.

Our discussion and analysis of Quincy Community Services District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2018. It should be read in conjunction with the District's financial statements, including notes and supplementary information, which follow this section.

**FINANCIAL HIGHLIGHTS**

- Total net position was \$14,129,519 at June 30, 2018. This was an increase of \$625,672 from the prior year. The increase was primarily due to reduced expenditures and Capital Grants.
- Overall revenues were \$2,592,140, which were more than expenses of \$1,966,468.
- The total cost of the District's programs decreased by \$242,257 from last year.

**OVERVIEW OF FINANCIAL STATEMENTS**

This annual report consists of three parts—management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The three sections together provide a comprehensive overview of the District. The basic financial statements are comprised of a statement of net position, a statement of revenue, expenses, and changes in net position, and a statement of cash flows.

The statement of net position shows the District's financial status as of the end of its fiscal year, June 30, 2018. The statement of revenues, expenses, and changes in net position shows the changes in the District's equity during the fiscal year ended June 30, 2018. The statement of cash flows shows the changes in cash during the fiscal year ended June 30, 2018.

The district conducts all of its financial activities in a series of enterprise, or business-type funds. The dominate source of funding for these operations is normally user charges paid by the District's water and wastewater customers.

**FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE**

**Net Position**

The district's combined net position was \$14,129,519 at June 30, 2018 See Table 1.

Factors contributing to the increase from last year were a 6% rise in overall revenues, combined with a 11% drop in expenditures.



**Table 1:  
Net Position**

	Business-Type Activities		Total Percentage
	2018	2017	Change 2018-2017
<b>Assets:</b>			
Cash and Investments	\$ 3,801,569	\$ 2,800,088	26.34%
Restricted Cash	180,095	142,714	20.76%
Accounts Receivable	191,723	184,746	3.64%
Inventory	44,008	46,120	-4.80%
Prepaid expenses	17,637	33,674	-90.93%
Capital Assets, Net of Accumulated Depreciation	13,921,165	14,241,810	-2.30%
<b>TOTAL ASSETS</b>	<b>\$ 18,156,197</b>	<b>\$ 17,449,152</b>	
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Recognition of Contributions to Pension Plan	\$ 254,766	\$ 88,621	65.21%
<b>Liabilities:</b>			
Accounts Payable & Accrued Expenses	\$ 50,765	\$ 94,809	-86.76%
Utility Deposits	50	50	0.00%
Current Portion of Long-Term Debt	48,215	48,215	0.00%
Net Pension Liability	715,916	617,292	13.78%
Non-Current Portion of Long-Term Debt	3,194,644	2,943,138	7.87%
<b>TOTAL LIABILITIES</b>	<b>\$ 4,009,590</b>	<b>\$ 3,703,504</b>	
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Recognition of Pension Plan Earnings	\$ 21,854	\$ 38,825	-77.66%
<b>Net Position</b>			
Net Investment in Capital Assets	\$ 10,978,027	\$ 11,250,457	-2.42%
Restricted for Debt Service	79,953	104,629	-23.58%
Restricted for Construction	100,142	38,085	
Unrestricted	2,971,397	2,402,273	23.69%
<b>TOTAL NET POSITION</b>	<b>\$ 14,129,519</b>	<b>\$ 13,795,444</b>	

**Table 1A:  
Net Position Multiyear Trend**

	Business-Type Activities			
	2018	2017	2016	2015
<b>Assets:</b>				
Cash and Investments	\$ 3,981,664	\$ 2,942,802	\$ 2,607,847	\$ 2,578,132
Accounts Receivable	191,723	184,746	197,180	157,742
Inventory	44,008	46,120	48,632	48,632
Prepaid Expenses	17,637	33,674		
Capital Assets, Net of Accumulated Depreciation	13,921,165	14,241,810	14,294,492	14,391,856
<b>TOTAL ASSETS</b>	<b>\$ 18,156,197</b>	<b>\$ 17,449,152</b>	<b>\$ 17,148,151</b>	<b>\$ 17,176,362</b>
<b>Deferred Outflows of Resources</b>				
Deferred Recognition of Contributions to Pension Plan	\$ 254,766	\$ 88,621	\$ 69,807	\$ 69,875
<b>Current Liabilities:</b>				
Accounts Payable and Accrued Expenses	\$ 50,765	\$ 94,809	\$ 95,435	\$ 99,711
Utility Deposits	50	50	50	50
Current Portion of Long-Term Debt	48,215	48,215	50,709	50,924
Net Pension Liability	715,916	617,292	468,964	418,521
Non-Current Portion of Long-Term Debt	3,194,644	2,943,138	2,971,376	3,002,957
<b>TOTAL LIABILITIES</b>	<b>\$ 4,009,590</b>	<b>\$ 3,703,504</b>	<b>\$ 3,586,534</b>	<b>\$ 3,572,163</b>
<b>Deferred Inflows of Resources</b>				
Deferred Recognition of Pension Plan Earnings	\$ 21,854	\$ 38,825	\$ 74,414	\$ 130,023
<b>Net Position:</b>				
Net Investment in Capital Assets	\$ 10,978,027	\$ 11,250,457	\$ 11,272,407	\$ 11,378,954
Restricted for Debt Service/Construction	180,095	142,714	80,996	174,482
Unrestricted	2,971,397	2,402,273	2,203,607	1,990,615
<b>TOTAL NET POSITION</b>	<b>\$ 14,129,519</b>	<b>\$ 13,795,444</b>	<b>\$ 13,557,010</b>	<b>\$ 13,544,051</b>

**Changes in Net Assets**

Operating revenues from user service charges normally make-up the majority of total revenues. User fees were 68.0% of total revenues for the 2017-18 fiscal year. They were up from last year by \$62,762. Additionally, the District received a \$95,000 increase in capital grants.

**Table 2:  
Changes in Net Assets**

	Business-Type Activities		Total Percentage
	2018	2017	Change 2018-2017
<u>Program Revenues:</u>			
Charges for Services	\$ 1,762,593	\$ 1,699,831	3.69%
Capital Grants	485,461	390,020	24.47%
<u>General Revenues:</u>			
Property Taxes	116,652	111,070	5.03%
Interest Income	27,097	10,884	148.96%
Wastewater Treatment Capital	162,511	186,237	-12.74%
Other Income	37,826	49,117	-22.99%
<b>TOTAL REVENUES</b>	<u>2,592,140</u>	<u>2,447,159</u>	5.92%
<u>Program Expenses:</u>			
Water	750,779	765,895	-1.97%
Wastewater	1,137,341	1,363,162	-16.57%
<u>Debt Service Expenses:</u>			
Interest Expense	78,348	79,668	-1.66%
<b>TOTAL EXPENSES</b>	<u>1,966,468</u>	<u>2,208,725</u>	-10.97%
Increase / (Decrease) in Net Position	<u>\$ 625,672</u>	<u>\$ 238,434</u>	

**Table 2A: Changes in Net Assets Multiyear Trend**

	Business-Type Activities			
	2018	2017	2016	2015
<u>Revenues</u>				
<u>Program Revenues:</u>				
Charges for Services	\$ 1,762,593	\$ 1,699,831	\$ 1,679,148	\$ 1,701,192
Capital Grants	485,461	390,020	\$ 114,159	
<u>General Revenues</u>				
Property Taxes	116,652	111,070	124,734	100,530
Interest Income	27,097	10,884	9,010	6,372
Wastewater Treatment capital	162,511	186,237	187,313	
Other Income	37,826	49,117	53,290	59,260
<b>TOTAL REVENUES</b>	<u>2,592,140</u>	<u>2,447,159</u>	<u>2,167,654</u>	<u>1,867,354</u>
<u>Program Expenses:</u>				
Water	750,779	765,895	746,015	783,714
Wastewater	1,137,341	1,363,162	1,327,692	1,348,746
<u>Debt Service Expenses:</u>				
Interest Expense	78,348	79,668	80,988	82,308
<b>TOTAL EXPENSES</b>	<u>1,966,468</u>	<u>2,208,725</u>	<u>2,154,695</u>	<u>2,214,768</u>
Increase / (Decrease) in Net Position	<u>\$ 625,672</u>	<u>\$ 238,434</u>	<u>\$ 12,959</u>	<u>\$ (347,414)</u>

Table 3 presents the cost of each of the District’s functions as well as each function’s net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by charges for services, operating grants and capital grants and contributions.

The amount that our taxpayers paid for these activities through property taxes was \$116,652.

**Table 3**  
**Net Cost of Business-Type Activities**

	Total Cost of Services		Net Cost of Services	
	2018	2017	2018	2017
Water	\$ 750,779	\$ 765,895	\$ (147,221)	\$ (193,969)
Wastewater	1,215,689	1,442,830	428,807	75,095
<b>TOTAL</b>	<b>\$ 1,966,468</b>	<b>\$ 2,208,725</b>	<b>\$ 281,586</b>	<b>\$ (118,874)</b>

## FINANCIAL ANALYSIS OF THE DISTRICT’S FUNDS

The overall financial performance of the District as a whole is reflected in the communication between the Board of Directors and the District employees as they all work together in providing the best quality of service to its customers.

### Budgetary Highlights

Over the course of the year, the District revises its annual budget to reflect unexpected changes in revenues and expenditures. A schedule of the District’s original and final budget amounts compared with actual revenues and expenses is provided in the supplemental section of the audited financial report.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2018, the District had invested \$13,921,165 in a broad range of capital assets, including land and the water and wastewater systems. During the year the District invested in improvements to the water and wastewater systems.

See Table 4. More detailed information about the District’s capital assets is presented in the notes to the financial statements.

**Table 4**  
**Capital Assets**

	Business-Type Activities		Total Percentage
	2018	2017	Change 2018-2017
Land and Easements	\$ 581,244	\$ 581,244	0.00%
Water System	10,240,234	10,124,082	1.15%
Wastewater System	17,521,131	17,231,079	1.68%
Totals at Historical Cost	28,342,609	27,936,405	
Total Accumulated Depreciation	(14,421,444)	(13,694,595)	5.31%
<b>NET CAPITAL ASSETS</b>	<b>\$ 13,921,165</b>	<b>\$ 14,241,810</b>	

**Table 5**  
**Long-Term Debt**

	Business-Type Activities		Change
	2018	2017	2018-2017
Other Post Employment Benefits	\$ 415,582	\$ 115,860	258.69%
USDA Note Payable	2,825,000	2,873,000	-1.67%
Net Pension Liability	715,916	617,292	15.98%
Plumas-Sierra Rural Electric Cooperative Capital Lease	2,278	2,493	-8.62%
Total Debt Payable	<b>\$ 3,958,776</b>	<b>\$ 3,608,645</b>	

**CONSOLIDATION WITH EAST QUINCY SERVICES DISTRICT**

The District and East Quincy Services District are in the process of merging and forming a new community services district to be known as the American Valley Community Services District. This merger was completed as of June 30, 2018.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, parents, participants, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact:

Quincy Community Services District  
Jim Doohan  
General Manager  
900 Spanish Creek Road  
Quincy, CA 95971  
(530) 283-0836

**QUINCY COMMUNITY SERVICES DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2018**

<b>ASSETS</b>	Business-Type Activities
	Water and Wastewater Activities
<b>Current Assets:</b>	
Cash on Hand and in Banks	\$ 1,204,547
Investments	2,597,022
Accounts Receivable	191,723
Inventory	44,008
Prepaid Expenses	17,637
Total Current Assets	4,054,937
<b>Restricted and Non-Current Assets:</b>	
Restricted Cash	180,095
Property, Plant & Equipment, Net	13,921,165
Total Restricted and Non-Current Assets	14,101,260
Total Assets	\$ 18,156,197
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred Recognition of Contributions to Pension Plan	\$ 254,766
 <b>LIABILITIES</b>	
<b>Current Liabilities:</b>	
Accounts Payable	\$ 29,036
Utility Deposits	50
Accrued Payroll and Related Liabilities	21,729
Current Portion of Long Term Debt	48,215
Total Current Liabilities	99,030
<b>Long Term Liabilities:</b>	
Net Pension Liability	715,916
Non-Current Portion of Long Term Debt	3,194,644
Total Long Term Liabilities	3,910,560
Total Liabilities	\$ 4,009,590
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred Recognition of Pension Plan Earnings	\$ 21,854
 <b>NET POSITION</b>	
Net Investment in Capital Assets	\$ 10,978,027
Restricted for Debt Service	79,953
Restricted for Construction	100,142
Unrestricted	2,971,397
Total Net Position	\$ 14,129,519

The accompanying notes are an integral part of this statement.

**QUINCY COMMUNITY SERVICES DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2018**

		Program Revenue			
		Charges	Capital		Net (Expense)
	Expenses	For	Grants		Revenue and
<u>Business Type Activities</u>		Services			Changes in
					Net Assets
Water	\$ 750,779	\$ 603,558	\$ -	\$	(147,221)
Wastewater	1,215,689	1,159,035	485,461		428,807
<b>Total Business Type Activities</b>	<u>\$ 1,966,468</u>	<u>\$ 1,762,593</u>	<u>\$ 485,461</u>		<u>281,586</u>
 <b>General Revenues:</b>					
Property Taxes Levied for General Purpose					116,652
Wastewater Treatment Capital					162,511
Interest Earnings					27,097
Other Income					37,826
<b>Total General Revenue</b>					<u>344,086</u>
 Change in Net Position					 <u>625,672</u>
 Net Position Beginning, as restated (See Note 12)					 <u>13,503,847</u>
Net Position Ending				\$	<u><u>14,129,519</u></u>

The accompanying notes are an integral part of this statement.

**QUINCY COMMUNITY SERVICES DISTRICT**  
**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**  
**JUNE 30, 2018**

ASSETS	Business-Type Activities		
	Water Fund	Wastewater Fund	Total
<b>Current Assets:</b>			
Cash on Hand and in Banks	\$ 299,013	\$ 905,534	\$ 1,204,547
Investments	1,895,826	701,196	2,597,022
Accounts Receivable	55,751	135,972	191,723
Inventory	34,824	9,184	44,008
Prepaid Expenses	8,819	8,818	17,637
Total Current Assets	2,294,233	1,760,704	4,054,937
<b>Restricted and Non-Current Assets:</b>			
Restricted Cash		180,095	180,095
Property, Plant & Equipment, Net	5,872,746	8,048,419	13,921,165
Total Restricted and Non-Current Assets	5,872,746	8,228,514	14,101,260
Total Assets	\$ 8,166,979	\$ 9,989,218	\$ 18,156,197
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Recognition of Contributions to Pension Plan	\$ 93,960	\$ 160,806	\$ 254,766
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Accounts Payable	\$ 9,589	\$ 19,447	\$ 29,036
Utility Deposits	50		50
Accrued Payroll and Related Liabilities	7,953	13,776	21,729
East Quincy Service District Deposit	90,000	160,000	250,000
Current Portion of Long Term Debt		48,215	48,215
Total Current Liabilities	107,592	241,438	349,030
<b>Long Term Liabilities:</b>			
Net Pension Liability	264,037	451,879	715,916
Non-Current Portion of Long Term Debt	207,792	2,986,852	3,194,644
Total Long Term Liabilities	471,829	3,438,731	3,910,560
Total Liabilities	\$ 579,421	\$ 3,680,169	\$ 4,259,590
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Recognition of Pension Plan Earnings	\$ 8,060	\$ 13,794	\$ 21,854
<b>NET POSITION</b>			
Net Investment in Capital Assets	\$ 5,814,815	5,163,212	10,978,027
Restricted for Debt Service		79,953	79,953
Restricted for Construction		100,142	100,142
Unrestricted	1,858,643	1,112,754	2,971,397
Total Net Position	\$ 7,673,458	\$ 6,456,061	\$ 14,129,519

The accompanying notes are an integral part of this statement.



**QUINCY COMMUNITY SERVICES DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	Business-Type Activities		
	Water	Wastewater	Total
	Fund	Fund	
Operating Revenues:			
Utility Revenue	\$ 574,615	\$ 738,244	\$ 1,312,859
Intergovernmental Revenue		396,092	396,092
Other Operating Revenue	28,943	24,699	53,642
Total Operating Revenue	<u>603,558</u>	<u>1,159,035</u>	<u>1,762,593</u>
Operating Expenses:			
Salaries and Benefits	219,204	364,475	583,679
Insurance	16,766	16,766	33,532
Legal, Accounting and Professional Services	32,849	30,998	63,847
Utilities	80,719	101,479	182,198
Dues and Permits	9,002	4,200	13,202
Depreciation	323,868	402,981	726,849
Sewage Supplies, Monitoring and Disposal		86,283	86,283
Repairs and Maintenance	36,639	47,311	83,950
Office	21,310	22,191	43,501
Other Expenses	10,422	60,657	71,079
Total Operating Expenses	<u>750,779</u>	<u>1,137,341</u>	<u>1,888,120</u>
Net Operating Income (Loss)	<u>(147,221)</u>	<u>21,694</u>	<u>(125,527)</u>
Non-Operating Revenues (Expenses):			
Interest Income	12,422	14,675	27,097
Property Taxes	58,326	58,326	116,652
Wastewater Treatment Capital		162,511	162,511
Grant Revenue		485,461	485,461
Other Income	4,766	33,060	37,826
Interest Expense		(78,348)	(78,348)
Total Non-Operating Revenues (Expenses)	<u>75,514</u>	<u>675,685</u>	<u>751,199</u>
Change in Net Position	(71,707)	697,379	625,672
Beginning Net Position July 1, as restated (Note 12)	<u>7,745,165</u>	<u>5,758,682</u>	<u>13,503,847</u>
Ending Net Position June 30	<u>\$ 7,673,458</u>	<u>\$ 6,456,061</u>	<u>\$ 14,129,519</u>

The accompanying notes are an integral part of this statement.

**QUINCY COMMUNITY SERVICES DISTRICT**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	Business-Type Activities		
	Water Fund	Wastewater Fund	Total
Cash Flows from (used by) Operating Activities:			
Cash Received from Customers	\$ 608,481	\$ 1,147,135	\$ 1,755,616
Cash Payments to Employees	(227,443)	(431,948)	(659,391)
Cash Payments to Suppliers for Goods and Services	(113,499)	(240,644)	(354,143)
Net Cash Provided (Used) by Operating Activities	<u>267,539</u>	<u>474,543</u>	<u>742,082</u>
Cash Flows from Non-Capital Financing Activities:			
Property Taxes and Other Income	63,092	91,386	154,478
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>63,092</u>	<u>91,386</u>	<u>154,478</u>
Cash Flows from Capital and Related Financing Activities:			
Purchases of Fixed Assets	(116,152)	(290,052)	(406,204)
Wastewater Treatment Capital		162,511	162,511
Capital Grant Revenue		485,461	485,461
Principal Payments on Long-Term Debt	-	(48,215)	(48,215)
Net Cash Provided (Used) by Capital Financing Activities	<u>(116,152)</u>	<u>309,705</u>	<u>193,553</u>
Cash Flows from Investing Activities:			
Interest Received	12,422	14,675	27,097
Interest Paid		(78,348)	(78,348)
Net Cash Provided (Used) by Investing Activities	<u>12,422</u>	<u>(63,673)</u>	<u>(51,251)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	226,901	811,961	1,038,862
Cash and Cash Equivalents:			
Balance - July 1	<u>1,967,938</u>	<u>974,864</u>	<u>2,942,802</u>
<b>Balance - June 30</b>	<b><u>\$ 2,194,839</u></b>	<b><u>\$ 1,786,825</u></b>	<b><u>\$ 3,981,664</u></b>
Reconciliation:			
Operating Income (Loss)	\$ (147,221)	\$ 21,694	\$ (125,527)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Depreciation	323,868	402,981	726,849
Deferred Inflows/Outflows of Resources	(66,468)	(116,648)	(183,116)
(Increase)/Decrease in Accounts Receivable	4,924	(11,900)	(6,976)
(Increase)/Decrease in Inventory	431	1,681	2,112
(Increase)/Decrease in Prepaid Expenses	8,018	8,019	16,037
Increase (Decrease) in Pension Liability	53,853	44,770	98,623
Increase/(Decrease) in Accounts Payable and Accrued Liabilities	<u>86,072</u>	<u>119,884</u>	<u>205,956</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 263,477</u>	<u>\$ 470,481</u>	<u>\$ 733,958</u>

The accompanying notes are an integral part of this statement.

**QUINCY COMMUNITY SERVICES DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Quincy Community Services District (District) provides water and sewer services to residential and commercial customers within the boundaries of the District and to customers outside the District by resolution with East Quincy Services District and Feather River RV Park. The District began operations July 1, 1989 and comprises the activities of the former Quincy Sanitary District and Quincy Water Company.

The District accounts for its financial transactions in accordance with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

1. Reporting Entity

The District's combined financial statements include the accounts of all its operations. The District evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the District's reporting entity, as set forth in GASB Statement No. 14 "The Financial Reporting Entity" and GASB Statement No. 39 "Determining Whether Certain Organizations Are Component Units," include whether:

- The organization is legally separate (can sue and be sued in its name)
- The District holds the corporate powers of the organization
- The District appoints a voting majority of the organization's board
- The District is able to impose its will on the organization
- The organization has the potential to impose a financial benefit/burden on the District
- There is fiscal dependency by the organization on the District
- The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government
- The primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization
- The economic resources received or held by an individual organization that the specific primary government is entitled to, or has the ability to otherwise access, are significant to that primary government

Based on these criteria, the District has no component units. Additionally, the District is not a component unit of any other reporting entity as defined by the GASB Statement.

**QUINCY COMMUNITY SERVICES DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the District. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major enterprise funds, each displayed in a separate column.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies, Property taxes, Grant revenue, Wastewater Treatment Capital and investment earnings, result from nonexchange transactions or ancillary activities.

The District reports the following major Enterprise Funds:

The Water Fund accounts for water revenue, expenses, and net position.

The Wastewater Fund accounts for sewer revenue, expenses, and net position.

b. Measurement Focus, Basis of Accounting

Proprietary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. They are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the

**QUINCY COMMUNITY SERVICES DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

taxes are received. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

When the District incurs an expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

**3. Assets, Liabilities, and Equity**

**a. Cash and Cash Equivalents**

For the purposes of the statement of cash flows, highly liquid investments, including restricted funds, are considered to be cash equivalents if they have a maturity of three months or less when purchased. The District considers cash, investments in the Local Agency Investment Fund, and reserved cash to be cash equivalents.

Cash balances on hand and held in banks (\$1,384,642 as of June 30, 2018) are insured up to \$250,000 by the Federal Depository Insurance Corporation. At June 30, 2018 the District had accounts with balances in excess of \$250,000, and therefore, had risk of amounts not insured or collateralized.

The District is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et seq.

**b. Fair Value Measurements and Investments**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

**Level 1** Quoted prices in active markets for identical assets and liabilities.

**Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

**Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities.

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying statement of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy.

**QUINCY COMMUNITY SERVICES DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include various types of mutual funds. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

c. Capital Assets

Property, Plant and Equipment owned by the Enterprise Fund is stated at cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. A capitalization threshold of \$5,000 is used by the District.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	20-40
Office Equipment	2-7
Meters and Maint. Equipment	5-20
Utility Plant and Infrastructure	10-50

Gain or loss is recognized when assets are retired from service or are otherwise disposed.

d. Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on December 10 and April 10. Unsecured property taxes are payable in one installment on or before August 31. The County of Plumas bills and collects the taxes for the District. The District recognizes tax revenues when received from the County.

e. Receivable and Payable Balances

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of year end.

**QUINCY COMMUNITY SERVICES DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

The District uses the direct write-off method for recording bad debts. This method is not in accordance with GAAP, but is considered to be immaterial.

f. Deferred Inflows and Deferred Outflows of Resources

In addition to assets, the Statement of Net 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 has only one item that qualifies for reporting in this category, deferred amounts from District pension contributions.

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.

The district has only one type of item that qualifies for reporting in this category, unavailable amounts from District pension contributions.

g. Compensated Absences

Vested unpaid employee vacation leave and sick leave benefits are recognized as liabilities of the District. The current portion of the liabilities is recognized in the Water Fund and Wastewater Fund at year end.

h. Budgetary Accounting

The District adopts its budget on the accrual basis of accounting. The budget was converted to accrual basis for financial reporting purposes.

i. Use of Estimates

The preparation of financial statements in conformity with Accounting Principles Generally Accepted in the United States of America requires the use of management's estimates. Actual results could differ from those estimates.

j. Components of Net Position

For Government-Wide Financial Statements, equity is classified in three components as follows:

Net Investment in Capital Assets consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of debt borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position consists of net assets with restrictions placed on the use either by external groups such as contributors, grantors or regulations of other governments, or law

**QUINCY COMMUNITY SERVICES DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

through constitutional provisions or enabling legislation.

Unrestricted Net Position consists of all other net assets that do not meet the definition of "restricted" or "net investment in Capital Assets."

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

The District can assign balances for specific future uses.

Following are the components of the District's Net Position including assigned amounts:

Net Investment in Capital Assets	\$ 10,978,027
Restricted for Debt Service	79,953
Restricted for Wastewater Treatment Capital Expenditure	100,142
Unrestricted Net Position	2,971,397
 Total Net Position	 \$ 14,129,519

The System Collection Reserve is for wastewater infrastructure replacement. The Wastewater Treatment Plant Reserve and the Wastewater Asset Reserve are for treatment system and facility replacement. Additionally, the Water Facility Replacement Reserve is for water system and building replacement.

**NOTE 2 – COMPLIANCE AND ACCOUNTABILITY**

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable



**QUINCY COMMUNITY SERVICES DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

Deficit Fund Net Assets of Individual Funds

Following are funds having deficit fund net assets at year end, if any, along with remarks which address such deficits.

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None	n/a	n/a

**NOTE 3 – CASH AND INVESTMENTS**

Cash and investments as of June 30, 2018 consists of the following:

Description	<u>Water</u>	<u>Wastewater</u>
Cash on Hand	\$ 75	\$ 75
Deposits with financial institutions	298,938	1,085,554
LAIF	1,895,826	701,196
Total cash and Investments	<u>\$ 2,194,839</u>	<u>\$ 1,786,825</u>

Investments consist of the Local Agency Investment Fund and are stated at fair value based on significant other observable inputs.

The fair value measurements of assets recognized in the accompanying statement of net position measured at fair value on a recurring basis and level 2 within the fair value hierarchy, are \$2,597,022.

The District has, in practice, limited deposits and investments to insured and/or Collateralized demand deposit accounts, the State Treasurer/s Local Agency Investment Fund (LAIF), and certificates of deposit. The District does not enter into reverse repurchase agreements.

Credit Risk

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 district does not hold direct investments, therefore, there is no concentration of credit risk.

**QUINCY COMMUNITY SERVICES DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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 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, other than the following provision for deposits. The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the 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 District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

The district's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts. The amount in excess of federal depository insurance limits was \$405,459 and the remaining amounts were collateralized as described above.

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 investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

Investment in State Investment Pool

The district is a voluntary participant in LAIF. LAIF is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the entity's investment in this pool is reported in the accompanying financial statements at amounts based upon the Entity's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

**QUINCY COMMUNITY SERVICES DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

Investment Accounting Policy

The District's investments in external investment pools are reported at an amount determined by the fair value per share of the pools underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

**NOTE 4 – PROPERTY, PLANT AND EQUIPMENT**

A summary of changes in fixed assets follows:

	Balance <u>06/30/17</u>	<u>Additions</u>	<u>Dispositions</u>	Balance <u>06/30/18</u>
Land and Easements	\$ 581,244			\$ 581,244
Water System	10,124,082	116,152		10,240,234
Wastewater System	17,231,079	290,052		17,521,131
	<u>27,936,405</u>	<u>406,204</u>	-	<u>28,342,609</u>
Accumulated Depreciation	<u>(13,694,595)</u>	<u>(726,849)</u>		<u>(14,421,444)</u>
Property, Plant and Equipment, Net	<u>\$ 14,241,810</u>	<u>\$ (320,645)</u>	<u>\$ -</u>	<u>\$ 13,921,165</u>

Depreciation was charged to activities as follows:

Water	\$ 323,868
Wastewater	<u>402,981</u>
Total	<u>\$ 726,849</u>

**QUINCY COMMUNITY SERVICES DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 5 – NOTES, CAPITAL LEASES AND BONDS PAYABLE**

Long Term Debt is summarized as follows:

	<u>Balance</u>		<u>Balance</u>
	<u>6/30/2017</u>	<u>Increases</u>	<u>6/30/2018</u>
Other Post Employment Benefits (See Note 12)	\$ 115,860	\$ 299,722	\$ 415,582
2.75% USDA Note Payable, \$3,040,000 Original Issue. Semi- Annual Payments of Principal and Interest Through 2052.	\$ 2,873,000		2,825,000
Non-Interest Bearing Plumas-Sierra Rural Electric Cooperative Capital Lease. Original Balance was \$6,460. Monthly Payments of \$18 through 2029	2,493		2,278
Total Debt Payable	<u>\$ 2,991,353</u>	<u>\$ 299,722</u>	<u>\$ 3,242,860</u>
Less Current Portion			<u>(48,215)</u>
Long Term Portion of Debt Payable			<u>\$ 3,194,645</u>

Capital Lease - Debt service requirements on the capital lease at June 30, 2018 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>
2019	215
2020	215
2021	215
2022	215
2023-2027	1,075
	343
Total	<u>\$ 2,278</u>

**QUINCY COMMUNITY SERVICES DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

USDA Note Payable – The District borrowed \$3,040,000 from the USDA to improve the waste water system. Debt service requirements on the note at June 30, 2018 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 48,000	\$ 77,028	\$ 125,028
2020	48,000	75,708	123,708
2021	48,000	74,388	122,388
2022	48,000	73,068	121,068
2023-2027	300,000	341,413	641,413
2028-2032	336,000	298,678	634,678
2033-2037	373,000	249,631	622,631
2038-2042	432,000	194,206	626,260
2043-2047	503,000	130,281	633,281
2048-2052	569,000	56,609	625,609
2053	120,000	3,300	123,000
Totals	<u>\$ 2,825,000</u>	<u>\$ 1,574,310</u>	<u>\$ 4,399,064</u>

**NOTE 6 – EXCESS OF EXPENSES OVER APPROPRIATIONS**

<u>Appropriations Category</u>	<u>Amount</u>
Wastewater Fund:	
Professional Services	\$ 8,108
Depreciation	\$ 134,282
Dues and Permits	\$ 283
Office	\$ 2,448
Water Fund:	
Professional Services	\$ 2,849
Office	\$ 2,310
Depreciation	\$ 13,868

Wastewater Fund – Professional services were over budget due to costs incurred with the consolidation (See Note 9). Office expenses exceeded budget as a result of higher software and supplies demands. Dues and permits incurred a slight overrun. Depreciation was based upon an estimate.

**QUINCY COMMUNITY SERVICES DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

Water Fund- Professional services were over budget due to costs incurred with the consolidation (See Note 9). Office expenses exceeded budget as a result of higher software and supplies demands. Depreciation was based upon an estimate.

**NOTE 7 – COMMITMENTS AND CONTINGENCIES**

Utility Industry Regulation

Regulations governing utility companies may change drastically over the next few years. These regulatory changes could force utility companies to make significant upgrades to their collection, treatment and distribution systems, causing the companies major financial distress. Specifically, the regulations to obtain a NPDES discharge permit could force the District to upgrade the wastewater treatment facility. As of December 2007, the projected costs of compliance were between \$13,294,000 and \$19,370,000.

**NOTE 8 – RISK MANAGEMENT AND LITIGATION**

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and customers; and natural disasters. The District has managed these risks by obtaining coverage from commercial insurance companies as well as providing employee education and prevention programs. All risk management activities are accounted for in the Water Fund and Sewer Fund. Expenses and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported are considered.

The District's attorney estimates that the amount of actual or potential claims against the District as of June 30, 2018, will not materially affect the financial condition of the District. Therefore, the funds contain no provision for estimated claims. Information relating to an analysis of claims activities for the year was not available.

**NOTE 9 – FORMATION OF AMERICAN VALLEY COMMUNITY SERVICE  
AUTHORITY (AND SUBSEQUENT MERGER AS JUNE 30, 2018)**

In October 1995, The Quincy Community Services District formed a Joint Powers Authority (JPA) with the East Quincy Services District to more effectively serve the residents of Quincy, California. The main task of the JPA is to oversee the joint use of the Quincy Community Services District Sewage Treatment Plant. The agreement will allow East Quincy Services District to use the sewage treatment plant for at least 40 years upon payment of a one-time investment of \$1.822 million. The payments for the investment were completed during the fiscal year ending June 30, 1997.

**QUINCY COMMUNITY SERVICES DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

The Quincy Community Service District and the East Quincy Community Service District are in the process of merging and forming a new community service district to be known as the American Valley Community Service District. This merger was completed as of June 30, 2018. The financial effect of the merger cannot be estimated at this time.

**NOTE 10 – PENSION PLAN**

Plan Description

The District, as the employer, participates in the cost-sharing, multiple-employer defined benefit pension plan administered by the California Public employees' Retirement System (CalPERS). The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members, and beneficiaries. A full description of the pension plan benefit provisions, and assumptions for funding purposes can be obtained in Appendix B of the June 30, 2013, CalPERS actuarial evaluation report available at <https://www.calpers.ca.gov/page/forms-publications>.

Contributions

The contribution requirements of the Plan are established by Section 20814(c) of the California Public Employees' Retirement Law, which requires that employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. For the measurement period ended June 30, 2017, the active employee contribution rate was 9.887% of annual pay. Contributions to the pension plan from the District were \$82,272 for the year ended June 30, 2018.

Pension Liabilities, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions

At June 30, 2018, the District reported a net pension liability of \$715,916 for its proportionate share of the total net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The District's proportion of the net pension liability was based on the District's contributions received by the pension plan relative to the total contributions received by the pension plan for all participating employers as of June 30, 2017. Based upon this information, the District's proportion was .01816%.

For the year ended June 30, 2018, the District recognized pension expense of \$82,272. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**QUINCY COMMUNITY SERVICES DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

	Deferred Outflows of Resources	Deferred Inflow of Resources
Change of Assumptions	\$ 120,820	\$ -
Differences Between Expected and Actual Experience	-	14,048
Differences Between Projected and Actual Investment Earning	29,580	
Difference Between Employer's Contributions and Proportionate Share of Contributions		7,806
Change in Employer's Proportion	22,094	
Contributions Subsequent to the Measurement Date	82,272	
<b>Total</b>	<b>\$ 254,766</b>	<b>\$ 21,854</b>

\$82,272 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Any other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:		
2019	\$	37,953
2020		80,815
2021		49,435
2022		(17,562)
2023		-
Total	\$	150,641



**QUINCY COMMUNITY SERVICES DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Valuations Date	June 30, 2016
Measurement Date	June 30, 2017
	Entry Age Normal Cost Method
Actuarial Cost Method	
Actuarial Assumption:	
Discount Rate	7.15%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	3.3%-14.2% (1)
Investment Rate of Return	7.15% (2)

(1) Depending on entry age and service

(2) Net of pension plan investment expenses, including inflation

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The table below reflects long-term expected real rates of return by asset class. The rate of return was calculated using the capital marked assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class	Current Target Allocation	Real Return Year 1-10 <sup>1</sup>	Real Return Years 11+ <sup>2</sup>
Global Equity	51.0%	5.25%	5.71%
Global Debt Securities	19.0%	0.99%	2.43%
Inflation Assets	6.0%	0.45%	3.36%
Private Equity	10.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%

<sup>1</sup> An expected inflation of 2.5% used for this period

<sup>2</sup> An expected inflation of 3.0% used for this period

**QUINCY COMMUNITY SERVICES DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15% is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at the CalPERS' website under the GASB 68 section.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability/(asset) of the Plan as of the measurement date using the discount rate of 7.15%, as well as what the net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15%) or 1 percentage point higher (8.15%) than the current rate:

	Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
Plan's Net Pension Liability/(Asset)	\$ 1,147,048	\$ 715,916	\$ 358,845

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report of CalPERS which can be located at <https://www.calpers.ca.gov/page/forms-publications>.

**NOTE 11 – EMPLOYEE MEDICAL REIMBURSEMENT PLAN**

Qualified employees are offered a medical reimbursement plan as defined under IRS Code Sections 105, 213, and 152, which allows employees to be reimbursed for out-of-pocket medical expenses as defined in the Quincy Community Services District Employee Handbook. The amount owed as of June 30, 2018, was \$0.

**NOTE 12 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS**

The District provides certain postretirement healthcare benefits, as established by board policy, to eligible employees who satisfy the requirements for retirement under CalPERS (attained age 55 with 5 years of State or public agency service). This benefit creates the following types of OPEB liabilities:

**QUINCY COMMUNITY SERVICES DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**Explicit subsidy liabilities:** An “explicit subsidy” exists when the employer contributes directly toward the cost of retiree healthcare. In this program, the District pays a portion of retiree medical premiums for qualifying retirees.

**Implicit subsidy liabilities:** An “implicit subsidy” exists when the premiums charged for retiree coverage are lower than the expected retiree claims for that coverage. In the CalPERS medical program, the same monthly premiums are charged for active employees and for pre-Medicare retirees. CalPERS has confirmed that the claims experience of these members is considered together in setting premium rates.

Authority to establish and amend the benefit terms and financing requirements lies with the District board of directors. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement NO. 75.

All contracts with District employees will be renegotiated periodically in the future, thus costs and benefits are subject to change. Benefits and contribution requirements for the OPEB plan are established by various labor agreements.

The plan does not issue a standalone report.

**Retiree Benefit Provisions**

Medical coverage is currently provided through CalPERS as permitted under the Public Employees’ Medical and Hospital Care Act (PEMHCA). This coverage requires the employee to satisfy the requirements for retirement under CalPERS, which requires attainment of age 50 (age 52, if a new miscellaneous member on or after January 1, 2013) with 5 years of State or public agency service or approved disability retirement.

The employee must begin his or her retirement benefit within 120 days of terminating employment with the District to be eligible to continue medical coverage through the agency and be entitled to the benefits described below. If an eligible employee is not already enrolled in the medical plan, he or she may enroll within 60 days of retirement, during any future open enrollment period or with a qualifying life event. *It is the timing of initiating retirement benefits and not timing of enrollment in the medical program which determines whether or not a District retiree qualifies for lifetime medical coverage and any benefits defined in the PEMHCA resolution.* Once eligible, coverage may be continued at the retiree’s option for his or her lifetime. A surviving spouse and other eligible dependents may also continue coverage.

**Benefits provided**

As a PEMHCA employer, the District is obligated to contribute toward the cost of retiree medical coverage for the retiree’s lifetime or until coverage is discontinued. The District maintains an “unequal” resolution with CalPERS (executed in 2002). This resolution defines the

**QUINCY COMMUNITY SERVICES DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

level of the District's contribution toward the cost of medical plan premiums for *active* employees to be the PEMHCA minimum employer contribution (MEC)<sup>1</sup>. The MEC is \$133 per month in 2018 and will increase to \$136 per month in 2019. Under the unequal resolution, the District's contribution toward *retiree* medical benefits is determined by multiplying together the following three items:

- 5% *times*
- The number of prior years the employer has been contracted with PEMHCA *times*
- The contribution the employer makes towards active employee health benefits (i.e., the MEC).

Thus, the District is obligated to contribute \$106.40 per month for any covered retiree during 2018, which will increase to \$115.60 during 2019.

District Funding Policy

The District's funding policy affects the calculation of liabilities by impacting the discount rate used to develop the plan liability and expense. "Pay-as-you-go" is the term used when an agency only contributes the required retiree benefits when due. When an agency finances retiree benefits on a pay-as-you-go basis, GASB 75 requires the use of a discount rate equal to a 20-year high grade municipal bond rate.

The District is currently financing its OPEB liability on a pay-as-you-go basis. With the District's approval, the discount rate used in this valuation is based on the S&P Municipal Bond 20 Year High Grade Index. As of the June 30, 2018 Measurement Date, use of this index results in a discount rate of 2.92%. This same discount rate is expected to be used to develop all liabilities for the current measurement period and those for the fiscal years ending June 30, 2019 and June 30, 2020.

The District has not set aside any funds to accumulate assets for future retiree obligations. Due to the requirements of GASB No. 75, assets intended to fund future obligations are not considered to offset the unfunded benefit obligation until the assets are transferred to an irrevocable trust designed to pay for future OPEB obligations.

At June 30, 2018, the following retirees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	2
Active Employees	<u>5</u>
Total Number of Participants	<u>7</u>

**QUINCY COMMUNITY SERVICES DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

Actuarial Assumptions and Other Inputs

GASB 75 allows reporting liabilities as of any fiscal year end based on: (1) a *valuation date* no more than 30 months plus 1 day prior to the close of the fiscal year end; and (2) a *measurement date* up to one year prior to the close of the fiscal year. The following dates were used for the actuarial valuation:

Valuation Date	June 30, 2018
Measurement Date	June 30, 2018
Measurement Period	June 30, 2017 to June 30, 2018
Fiscal Year End	June 30, 2018

The actuarial demographic assumptions (i.e. rates of retirement, death, disability or other termination of employment) used in the actuarial valuation were chosen, for the most part, to be the same as the actuarial demographic assumptions used for the most recent valuation of the retirement plan(s) covering District employees. Other assumptions, such as age-related healthcare claims, healthcare trend, retiree participation rates and spouse coverage, were selected based on demonstrated plan experience and/or the best estimate of expected future experience. All these assumptions, and more, impact expected future benefits.

This actuarial valuation provides a projection of future results based on many assumptions. Actual results are likely to vary to some extent.

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumption and other inputs, applied to all periods including in the measurement unless otherwise specified.

Funding Method	Entry Age Normal Cost, Level % of Pay
Asset Valuation Method	Market Value of Assets (\$0, as Plan is not funded)
Salary Increases	3.25%
Discount Rate	2.92%
Participants Valued	Current active employees, covered retirees and covered dependents. Future entrants not considered
Healthcare Cost Trend Rates	8%, decreasing to 5% by 2025 and later
General Inflation Rate	2.75%

Other methods and assumptions were considered, such as mortality rates, termination rates, retirement rates, spouse coverage, etc ...

Total OPEB Liability

The District's total OPEB liability of \$415,582 was measured as of June 30, 2018, and was determined by an actuarial valuation as of that date.

**QUINCY COMMUNITY SERVICES DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

*Schedule of changes in Net OPEB Liability and Related Ratios*

<b>Total OPEB Liability</b>	
Service Cost	\$ 29,194
Employer Contributions during Fiscal Year	(21,070)
<b>Net Change in total OPEB liability</b>	<u>8,124</u>
<b>Total OPEB liability- beginning</b>	<u>407,458</u>
<b>Total OPEB liability- ending (a)</b>	<u>\$ 415,582</u>
<b>Plan Fiduciary Net Position</b>	
Contributions – Employer	\$ 21,070
Net Investment Income	0
Benefit Payments	<u>(21,070)</u>
<b>Net Change in Plan Fiduciary Net Position</b>	0
<b>Plan Fiduciary Net Position – beginning</b>	<u>0</u>
<b>Plan Fiduciary Net Position – ending (b)</b>	<u>\$ 0</u>
<b>Net OPEB Liability – ending (a) – (b)</b>	<u>\$ 415,582</u>

*Schedule of OPEB Expense*

Employer Contributions during Fiscal Year	\$ 21,070
Deterioration in Net Position	<u>8,124</u>
<b>OPEB Expense</b>	<u>\$ 29,194</u>

For the year ended June 30, 2018, the District recognized OPEB expense of 29,194, \$14,597 to both the Water and Wastewater Funds.

*Sensitivity of the net OPEB liability to changes in the discount rate.* The following presets the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1- percent point lower (2.13 percent) or 1- percentage- point higher (4.13 percent) than the current discount rate:

	1% Decrease <u>(1.92%)</u>	Discount Rate <u>(2.92%)</u>	1% Increase <u>(3.92%)</u>
Net OPEB Liability	\$ 482,234	\$ 415,582	\$ 362,654

**QUINCY COMMUNITY SERVICES DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

*Sensitivity of the net OPEB liability to change in the healthcare cost trend rates.* The following presents the net OPEB liability, as well as what net OPEB liability would be if it were calculated using healthcare cost trend that are 1- percentage-point lower (5.300 percent decreasing to 4.0 percent) or 1- percentage- point higher (7.00 percent decreasing to 6.0 percent) than the current healthcare cost trend rates:

	1% Decrease (7.0% Decreasing to 4%)	Trend Rate (8% decreasing to 5%)	1% Increase (9.00% decreasing to 6%)
Net OPEB Liability	\$ 355,290	\$ 415,582	\$ 493,543

Change in Accounting Principle and Prior Period Adjustment

In June 2015 The GASB Issued Statement NO. 75 Accounting and Reporting for Postemployment Benefits Other Than Pensions (OPEB) which is effective for fiscal year beginning after June 15, 2017. The District has Implemented the provisions of this of this Statement for the year ended June 30, 2018.

The Statement requires numerous new OPEB disclosures in the notes to the financial statements and three new 10-year schedules as required supplementary information. Also, for the first time the District is required to recognize OPEB expense and a net OPEB liability for its proportionate shares of the collective OPEB expense. The reporting of these new amounts on the government-wide financial statements, along with the effect of the restatement of the beginning net position will affect the District's government- wide net position as follows:

	<u>June 30, 2017 Net Position as Previously Stated</u>	<u>GASB 75 Restatement</u>	<u>June 30, 2017 Net Position as Restated</u>
<u>Business-Type Activities</u>			
Water	\$ 7,890,960	\$ (145,799)	\$ 7,745,165
Wastewater	5,904,480	(145,798)	5,758,682

**NOTE 13 – SEGMENT INFORMATION FOR WASTEWATER ENTERPRISE FUND**

The District maintains an enterprise fund for wastewater collection and treatment. Segment information for the year ended June 30, 2018 is as follows:

**QUINCY COMMUNITY SERVICES DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**CONDENSED STATEMENT OF NET POSITION**

**Wastewater Fund**

Assets:	
Current Assets	\$ 1,760,704
Restricted Cash	180,095
Capital Assets	<u>8,048,419</u>
Total Assets	<u>9,989,218</u>
Deferred Outflows of resources	<u>160,806</u>
Liabilities:	
Current Liabilities	241,438
Noncurrent Liabilities	<u>3,438,731</u>
Total Liabilities	<u>3,680,169</u>
Deferred Inflows of Resources	<u>13,794</u>
Net Position:	
Net Investment in Capital Assets	5,163,212
Restricted for Debt Service	79,953
Restricted for Construction	100,142
Unrestricted	<u>1,112,754</u>
Total Net Position	<u>\$ 6,456,061</u>



**QUINCY COMMUNITY SERVICES DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

	<u>Wastewater Fund</u>
Operating Revenues and Expenses:	
Operating revenues	\$ 1,159,035
Depreciation Expense	402,981
Other Operating Expenses	<u>734,900</u>
Operating Income	21,154
Nonoperating Revenue (Expenses):	
Nonoperating Revenue	754,033
Interest Expense	<u>(78,348)</u>
Change in Net Position	<u>\$ 696,839</u>

**CONDENSED STATEMENT OF CASH FLOWS**

Net cash provided (used) by:	
Operating Activities	\$ 474,543
Noncapital Financing activities	91,386
Capital and related financing Activities	309,705
Investing Activities	<u>(63,673)</u>
Net Increase in Cash and Cash Equivalents	811,961
Beginning Cash Balance, July 1, 2017	<u>974,864</u>
Ending Cash Balance, June 30, 2018	<u>\$ 1,786,825</u>

**NOTE 14 – SUBSEQUENT EVENTS**

Subsequent events have been evaluated through January 31, 2019, which is the date the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY  
INFORMATION**

**SCHEDULE OF THE QUINCY COMMUNITY SERVICES DISTRICT'S  
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
CALIFORNIA PUBLIC EMPLOYEES RETIREMENT SYSTEM**

	<u>June 30, 2015</u>	<u>June 30, 2016</u>	<u>June 30, 2017</u>	<u>June 30, 2018</u>
District's Proportion of the Net Pension Liability/(Asset)	0.01939%	0.01709%	0.01865%	0.00182%
Districts Proportionate Share of the Net Pension Liability/(Asset)	\$ 479,119	\$ 468,964	\$ 617,292	\$ 715,916
District's Covered-Employee Payroll	\$ 408,663	\$ 381,019	\$ 399,470	\$ 404,509
District's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	117.24%	123.1%	154.5%	177.0%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's total Net Pension Liability	79.5%	80.97%	77.01%	76.02%
Plan's Proportionate Share of Aggregate Employer Contributions	\$ 50,086	\$ 69,094	\$ 81,542	\$ 82,272

**Notes to Schedule:**

Only four fiscal years are presented because 10-year data is not yet available.

**QUINCY COMMUNITY SERVICES DISTRICT'S  
SCHEDULE OF DISTRICT CONTRIBUTIONS  
CALIFORNIA PUBLIC EMPLOYEES RETIREMENT SYSTEM**

	Fiscal Year 2014-15	Fiscal Year 2015-16	Fiscal Year 2016-17	Fiscal Year 2017-18
Actuarially Determined Contribution	\$ 69,425	\$ 69,094	\$ 76,557	\$ 82,272
Contributions in Relation to the Actuarially Determined Contribution	(69,875)	(67,885)	(76,557)	(81,542)
Contribution Deficiency (Excess)	<u>\$ (450)</u>	<u>\$ 1,209</u>	<u>\$ -</u>	<u>\$ 730</u>
Covered Employee Payroll	\$ 408,663	\$ 381,019	\$ 399,470	\$ 404,509
Contributions as a Percentage of Covered-Employee Payroll	17.10%	18.13%	19.16%	20.34%

**Notes to Schedule:**

Only four fiscal years are presented because 10-year data is not yet available.

**QUINCY COMMUNITY SERVICES DISTRICT**  
**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY**

	Measurement Year Ended
	2018
District's proportion of the collective net OPEB liability	100%
District's proportionate share of the collective net OPEB liability	<u>\$ 415,582</u>
Total	<u><u>\$ 415,582</u></u>
District's covered-employee payroll	\$ 343,403
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	121.02%
Plan fiduciary net position as a percentage of the total OPEB liability	N/A

\*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the schedule provides the information for those years for which information is available.

**QUINCY COMMUNITY SERVICES DISTRICT  
SCHEDULE OF DISTRICT OPEB CONTRIBUTIONS**

	Measurement Year Ended 2018
Statutorily or contractually required District contribution	\$ 29,194
Contributions recognized by OPEB in relation to statutorily or contractually required contribution	21,070
Contribution deficiency (excess)	\$ 8,124
District's covered-employee payroll	\$ 343,403
Contributions as a percentage of covered-employee payroll	8.50%

\*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the schedule provides the information for those years for which information those years for which information is available.

**OTHER SUPPLEMENTARY  
INFORMATION**

**QUINCY COMMUNITY SERVICES DISTRICT**  
**PRESCRIBED FORM STATEMENT OF INCOME, EXPENSES AND NET INCOME**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	Business-Type Activities			Total
	Water Fund	Wastewater Collection Fund	Wastewater Treatment Fund	
<b>Income:</b>				
Water Service Charge/Irrigation	\$ 574,615	\$ -	\$ -	\$ 574,615
Sales - Other/Used Parts	18,215		68	18,283
Fire Protection	1,879			1,879
Set Up Fees	928	464	464	1,856
WW Service Charges		396,711	338,930	735,641
East Quincy Service Charges			396,092	396,092
Connection Fees - Water/ Wastewater	1,223	1,351	10,871	13,445
Sale of Reclaimed Water			1,890	1,890
Other Revenues		-	29,096	29,096
Backflow Testing	4,766			4,766
Electric Revenues from EQSD			2,603	2,603
Property Tax Revenues	58,326	58,326		116,652
Rents/Leases		1,980	-	1,980
Interest Revenue	12,422	4,630	10,045	27,097
Penalties Revenue	6,698	5,202	4,389	16,289
Grant Revenues		155,185	330,276	485,461
Rural Electric Capital Credits		-	1,964	1,964
Wastewater Treatment Capital			160,531	160,531
Franchise Fees		-	2,000	2,000
<b>Total Income</b>	<b>679,072</b>	<b>623,849</b>	<b>1,289,219</b>	<b>2,592,140</b>
<b>Expenses:</b>				
Salaries and Wages	149,187	79,751	175,571	404,509
Overtime Wages	6,677	2,962	10,797	20,436
Pager Duty	8,518	4,259	4,259	17,036
Employee Benefits	54,822	24,484	62,392	141,698
Retirement Health Benefits	-	-	-	-
Director's Fees	-	-	-	-
Insurance	16,766	8,383	8,383	33,532
Membership Expense	4,667	1,719	2,481	8,867
Office Expense	17,954	8,718	9,777	36,449

The accompanying notes are an integral part of this statement.



	Business-Type Activities			Total
	Water	Wastewater	Wastewater	
	Fund	Collection Fund	Treatment Fund	
Expenses Continued:				
Credit Card Transaction Fee				-
Printing, Postage & Publication	3,356	1,684	2,012	7,052
Travel/Training/Meetings	4,342	2,067	2,854	9,263
Professional Services	32,849	15,162	15,836	63,847
Mapping & CAD Services	3,747	2,046	2,046	7,839
Telemetry Maintenance	2,868	1,434	2,153	6,455
Gas, Oil & Fuel	2,699	1,888	4,207	8,794
Operating Supplies	-		44,234	44,234
Monitor & Lab/DHS Perm	4,335		4,742	9,077
Utilities - Electrical	36,902	19,842	79,111	135,855
Utilities - Other	2,444	1,226	1,300	4,970
Maintenance	33,771	15,061	28,663	77,495
USGS Spanish Creek Monitoring			25,050	25,050
Water Purchases	41,373			41,373
NPDES - Associated Costs	278	2,088	36,957	39,323
State Required Engineering Reports				-
Safety Expense	1,001	768	832	2,601
State Monitoring Fees	(1,736)			(1,736)
Interest Expense		78,348		78,348
Mapping Project WWT			-	-
Biosolids Disposal			16,999	16,999
Pilot Projects Expense				-
Plant Study Expense				-
Other Expenses	91	48	114	253
Depreciation	323,868	207,648	195,333	726,849
Total Expenses	750,779	479,586	736,103	1,966,468
Net Income (Loss)	\$ (71,707)	\$ 144,263	\$ 553,116	\$ 625,672

The accompanying notes are an integral part of this statement.

**QUINCY COMMUNITY SERVICES DISTRICT**  
**STATEMENT OF OPERATIONS - PROPRIETARY FUNDS - BUDGET AND ACTUAL**  
**WATER FUND**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	Budget Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Operating Revenues:				
Utility Revenue	\$ 540,000	\$ 540,000	\$ 574,615	\$ 34,615
Other Operating Revenue	7,380	7,380	28,943	21,563
Total Operating Revenue	<u>547,380</u>	<u>547,380</u>	<u>603,558</u>	<u>56,178</u>
Operating Expenses:				
Salaries and Benefits	276,395	276,395	219,204	57,191
Insurance	24,000	24,000	16,766	7,234
Legal, Accounting and Professional Services	30,000	30,000	32,849	(2,849)
Utilities	81,200	81,200	80,719	481
Dues and Permits	15,380	15,380	9,002	6,378
Depreciation	310,000	310,000	323,868	(13,868)
Repairs and Maintenance	62,800	62,800	36,639	26,161
Office	19,000	19,000	21,310	(2,310)
Director's Fees	480	480		480
Other Expenses	12,000	12,000	10,422	1,578
Total Operating Expenses	<u>831,255</u>	<u>831,255</u>	<u>750,779</u>	<u>80,476</u>
Operating Income (Loss)	<u>(283,875)</u>	<u>(283,875)</u>	<u>(147,221)</u>	<u>136,654</u>
Non-Operating Revenue (Expense):				
Interest Income	1,800	1,800	12,422	10,622
Property Taxes	51,562	51,562	58,326	6,764
Other Income	5,000	5,000	4,766	(234)
Total Non-Operating Revenues (Expenses)	<u>58,362</u>	<u>58,362</u>	<u>75,514</u>	<u>17,152</u>
Net Income (Loss)	<u>\$ (225,513)</u>	<u>\$ (225,513)</u>	<u>\$ (71,707)</u>	<u>\$ 153,806</u>

The accompanying notes are an integral part of this statement.

**QUINCY COMMUNITY SERVICES DISTRICT**  
**STATEMENT OF OPERATIONS - PROPRIETARY FUNDS - BUDGET AND ACTUAL**  
**WASTEWATER FUND**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	Budget Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Operating Revenues:</b>				
Utility Revenue	\$ 770,214	\$ 770,214	\$ 738,244	\$ (31,970)
Intergovernmental Revenue	369,760	369,760	396,092	26,332
Other Operating Revenue	12,202	12,202	24,699	12,497
Total Operating Revenue	<u>1,152,176</u>	<u>1,152,176</u>	<u>1,159,035</u>	<u>6,859</u>
<b>Operating Expenses:</b>				
Salaries and Benefits	482,334	482,334	364,475	117,859
Insurance	24,000	24,000	16,766	7,234
Legal, Accounting and Professional Services	22,890	22,890	30,998	(8,108)
Utilities	102,535	102,535	101,479	1,056
Dues and Permits	3,917	3,917	4,200	(283)
Depreciation	268,699	268,699	402,981	(134,282)
Sewage Supplies, Monitoring and Disposal	179,285	179,285	86,283	93,002
Repairs and Maintenance	63,000	63,000	47,311	15,689
Office	19,743	19,743	22,191	(2,448)
Director's Fees	489	489	489	489
Other Expenses	104,268	104,268	60,657	43,611
Total Operating Expenses	<u>1,271,160</u>	<u>1,271,160</u>	<u>1,137,341</u>	<u>133,819</u>
Operating Income (Loss)	<u>(118,984)</u>	<u>(118,984)</u>	<u>21,694</u>	<u>140,678</u>
<b>Non-Operating Revenue (Expense):</b>				
Interest Income	200	200	14,675	14,475
Property Taxes	55,000	55,000	58,326	3,326
Wastewater Treatment Capital	160,531	160,531	162,511	1,980
Grant revenue	33,296	33,296	485,461	485,461
Other Income	33,296	33,296	33,060	(236)
Interest expense	-	-	(78,348)	(78,348)
Total Non-Operating Revenues (Expenses)	<u>249,027</u>	<u>249,027</u>	<u>675,685</u>	<u>505,006</u>
Net Income (Loss)	<u>\$ 130,043</u>	<u>\$ 130,043</u>	<u>\$ 697,379</u>	<u>\$ 567,336</u>

The accompanying notes are an integral part of this statement.

**QUINCY COMMUNITY SERVICES DISTRICT  
WASTEWATER COLLECTION FUND  
STATEMENT OF OPERATIONS- BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Budget</u>	<u>Actual</u>	Variance with Final Budget Favorable <u>(Unfavorable)</u>
Operating Revenues:			
Utility Revenue	\$ 407,550	\$ 396,711	\$ (10,839)
Other Operating Revenue	4,000	7,017	3,017
Total Operating Revenue	<u>411,550</u>	<u>403,728</u>	<u>(7,822)</u>
Operating Expenses:			
Salaries and Benefits	142,837	111,456	31,381
Insurance	12,000	8,383	3,617
Legal, Accounting and Professional Services	12,000	15,162	(3,162)
Utilities	22,600	21,068	1,532
Dues and Permits	1,600	1,719	(119)
Depreciation	268,699	207,648	61,051
Sewage Supplies, Monitoring and Disposal	-	-	-
Repairs and Maintenance	33,000	16,495	16,505
Office	9,600	10,402	(802)
Director's Fees	240	-	240
Capital outlay			
Other Expenses	12,683	8,905	3,778
Total Operating Expenses	<u>515,259</u>	<u>401,238</u>	<u>114,021</u>
Operating Income (Loss)	(103,709)	2,490	106,199
Non-Operating Revenue (Expense):			
Interest Income	50	4,630	4,580
Property Taxes	55,000	58,326	3,326
Grant Revenue		155,185	
Other Income	3,900	1,980	(1,920)
Interest expense		(78,348)	(78,348)
Total Non-Operating Revenues (Expenses)	<u>58,950</u>	<u>141,773</u>	<u>(72,362)</u>
Net Income (Loss)	<u>\$ (44,759)</u>	<u>\$ 144,263</u>	<u>\$ 189,022</u>

**QUINCY COMMUNITY SERVICES DISTRICT  
WASTEWATER TREATMENT FUND  
STATEMENT OF OPERATIONS - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Budget</u>	<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
Operating Revenues:			
Utility Revenue	\$ 362,664	\$ 338,930	\$ (23,734)
Intergovernmental revenue	369,760	396,092	
Other Operating Revenue	<u>8,202</u>	<u>24,249</u>	<u>16,047</u>
Total Operating Revenue	<u>740,626</u>	<u>759,271</u>	<u>18,645</u>
Operating Expenses:			
Salaries and Benefits	339,497	253,019	86,478
Insurance	12,000	8,383	3,617
Legal, Accounting and Professional Services	10,890	15,836	(4,946)
Utilities	79,935	80,411	(476)
Dues and Permits	2,317	2,481	(164)
Depreciation		195,333	(195,333)
Sewage Supplies, Monitoring and Disposal	179,285	86,283	93,002
Repairs and Maintenance	30,000	30,816	(816)
Office	10,143	11,789	(1,646)
Director's Fees	249	-	249
Capital Outlay		-	
Other Expenses	<u>91,585</u>	<u>51,752</u>	<u>39,833</u>
Total Operating Expenses	<u>755,901</u>	<u>736,103</u>	<u>19,798</u>
Operating Income (Loss)	<u>(15,275)</u>	<u>23,168</u>	<u>38,443</u>
Non-Operating Revenue (Expense):			
Interest Income	150	10,045	9,895
Wastewater Treatment Capital	160,531	160,531	-
Grant revenue		330,276	330,276
Other Income	<u>29,396</u>	<u>29,096</u>	<u>(300)</u>
Total Non-Operating Revenues (Expenses)	<u>190,077</u>	<u>529,948</u>	<u>339,871</u>
Net Income (Loss)	<u>\$ 174,802</u>	<u>\$ 553,116</u>	<u>\$ 378,314</u>

**INDEPENDENT AUDITOR'S 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***

Board of Directors  
Quincy Community Services District  
Quincy, CA

Members of the Board of Directors:

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 Controller General of the United States, the financial statements of the business-type activities and each major fund of the Quincy Community Services District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the district's basic financial statements and have issued our own report thereon dated January 31, 2019.

**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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. See Finding 2018-1.

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## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether 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 that are required to be reported under *Government Auditing Standards*.

## **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 questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Purpose of the Report**

This 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.

Respectfully submitted,



**Singleton Auman, PC**  
Susanville, CA  
January 31, 2019

**SCHEDULE OF FINDINGS AND  
QUESTIONED COSTS**



**QUINCY COMMUNITY SERVICES DISTRICT  
COMBINED SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2018**

**Executive Summary**

The Quincy Community Services District was formed in 1989. The quality of the District's internal controls is highly dependent upon involvement in the day to day operations by the volunteer Board Members. Also, due to the limited number of employees of the District, there is an inability to segregate the custody of and accountability for District assets in the manner generally required for model systems of internal accounting controls. This deficiency has been mitigated significantly through the hiring of an outside CPA firm to help review and aid in preparing financial statements. A summary of the auditors' results follows:

1. **Type of Auditors' Report on Financial Statements:** Unmodified
2. **Internal Control Findings:** 1 Significant Deficiency.
3. **Material Noncompliance Noted:** None

**QUINCY COMMUNITY SERVICES DISTRICT  
COMBINED SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2018**

**YELLOW BOOK SECTION  
Significant Deficiency**

**Finding 2018 -1 Accounting System Security**

**Criteria Upon Which Audit Finding is Based (Legal Citation)**

Internal Control Standards

**Finding (Condition)**

The Districts accounting system does not have user restrictions and securities in place. Due to this, all personnel who have access to Quickbooks®, also have access to all other information and functions of the software.

**Amount of Questioned Cost, How Computed and Prevalence**

None.

**Effect**

Open access to confidential information to all personnel who have QuickBooks® access.

**Cause**

Lack of security within the software system limiting users to areas they need.

**Recommendation**

We recommend that the District consider setting up restrictions within the software system that would limit users only to the functions that they require.

**District's Response**

The District will implement restrictions to limit users to only areas which they need access to.

**QUINCY COMMUNITY SERVICES DISTRICT  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
JUNE 30, 2018**

**Finding 2017-1 – Accounting System Security**

The Districts accounting system does not have user restrictions and securities in place.

**Status**

Not Implemented.

**QUINCY COMMUNITY SERVICES DISTRICT  
CORRECTIVE ACTION PLAN  
JUNE 30, 2018**

Person Monitoring Corrective Action Plan  
General Manager, Jim Doohan

**Finding 2018-1 Accounting System Security**

Finding (Condition)

The Districts accounting system does not have user restrictions and securities in place. Due to this, all personnel who have access to Quickbooks, also have access to all other information and functions of the software.

Corrective Action Planned

The District will implement restrictions to limit users to only areas which they need access to.

Expected Completion Date

Ongoing