

LAKE SHASTINA COMMUNITY SERVICES DISTRICT
FINANCIAL STATEMENTS
JUNE 30, 2021

LAKE SHASTINA COMMUNITY SERVICES DISTRICT

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Lake Shastina Community Services District
Weed, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Lake Shastina Community Service District, as of and for the year ended June 30, 2021, 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 the 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit includes 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 financial statement presentation.

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

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining funds of the Lake Shastina Community Service District as of June 30, 2021, and the changes in financial position, of those activities and funds, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America for the fiscal year then ended in conformity with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

The Lake Shastina Community Services District has not presented the Management Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion is not modified as a result of the omission.

Accounting principles generally accepted in the United States of America require that the budgetary comparison for the General fund, Police Fund and Fire Fund on pages 26-28 the District's Employees' Retirement System Schedule of the District's Proportionate Share of the Net Pension Liability and the Retirement System Schedule of the District's Contributions on pages 29-30; be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), 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.



*Larry Bain, CPA,
An Accounting Corporation
June 3, 2022*

LAKE SHASTINA COMMUNITY SERVICES DISTRICT

**STATEMENT OF NET POSITION
JUNE 30, 2021**

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and investments	\$ 1,151,533	\$ 867,065	\$ 2,018,598
Receivables			
General receivables	101,695	94,016	195,711
Unbilled service receivables	57,114	253,760	310,874
Delinquent accounts-tax roll	208,059	114,826	322,885
Grant receivable	17,145	76,295	93,440
Interest receivable	719	768	1,487
Due from others	44,151		44,151
Prepaid expense	91,903	55,491	147,394
Inventory		52,578	52,578
Total current assets	1,672,319	1,514,799	3,187,118
Noncurrent Assets			
Intergovernmental advance	(266,060)	266,060	-
Asset held for investment	389,263		389,263
Capital assets:			
Nondepreciable capital assets			
Land	37,506	31,433	68,939
Construction in progress	41,917	129,575	171,492
Depreciable capital assets			
Infrastructure		9,288,644	9,288,644
Land improvements		21,318	21,318
Structures and improvements	426,089	289,889	715,978
Equipment and vehicles	1,205,768	577,215	1,782,983
Less accumulated depreciation	(1,254,427)	(6,434,537)	(7,688,964)
Total capital assets (net of accumulated depreciation)	456,853	3,903,537	4,360,390
Total noncurrent assets	580,056	4,169,597	4,749,653
Total assets	2,252,375	5,684,396	7,936,771
Deferred Outflows of Resources			
Deferred outflows-pension	90,403	176,604	267,007
Liabilities			
Current liabilities:			
Accounts payable and accrued expense	38,387	55,088	93,475
Accrued payroll	31,399	16,502	47,901
Compensated absences-current	17,818	28,170	45,988
Total current liabilities	87,604	99,760	187,364
Noncurrent Liabilities			
Net pension liability	276,737	720,853	997,590
Compensated absences	26,727	37,043	63,770
Total noncurrent liabilities	303,464	757,896	1,061,360
Total liabilities	391,068	857,656	1,248,724
Deferred Inflows of Resources			
Deferred inflows-pension	16,219	45,079	61,298
Net Position			
Net investment in capital assets	456,853	3,903,537	4,360,390
Unrestricted	1,478,638	1,054,728	2,533,366
Total net position	\$ 1,935,491	\$ 4,958,265	\$ 6,893,756

The notes to the financial statements are an integral part of this statement

LAKE SHASTINA COMMUNITY SERVICES DISTRICT

**STATEMENT OF ACTIVITIES
JUNE 30, 2021**

Functions/programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Capital Grants and Contributions	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
General	\$ 51,161	\$ -	\$ -	\$ -	\$ (51,161)	\$ -	\$ (51,161)
Public safety	1,419,695	681,585	155,100	1,090,714	507,704		507,704
Interest	2,510				(2,510)		(2,510)
Total governmental activities	<u>1,473,365</u>	<u>681,585</u>	<u>155,100</u>	<u>1,090,714</u>	<u>454,034</u>		<u>454,034</u>
Business-type activities:							
Water	802,703	507,381		87,262		(208,061)	(208,061)
Sewer	754,432	788,449		13,098		47,115	47,115
Interest	23,240					(23,240)	(23,240)
Total business-type activities	<u>1,580,375</u>	<u>1,295,830</u>		<u>100,360</u>		<u>(184,185)</u>	<u>(184,186)</u>
Total	<u>\$3,053,740</u>	<u>\$ 1,977,415</u>	<u>\$ 155,100</u>	<u>\$ 1,191,074</u>	<u>454,034</u>	<u>(184,185)</u>	<u>269,848</u>
General Revenues:							
Rental income					84,705		84,705
Other					26,067		26,067
Investment income					2,841	7,675	10,516
Total general revenues					<u>113,613</u>	<u>7,675</u>	<u>121,288</u>
Change in net position					<u>567,647</u>	<u>(176,511)</u>	<u>391,136</u>
Net position - beginning					<u>1,344,594</u>	<u>5,134,776</u>	<u>6,479,370</u>
Prior period adjustment					<u>23,250</u>		<u>23,250</u>
Net position - ending					<u>\$ 1,935,491</u>	<u>\$4,958,265</u>	<u>\$ 6,893,756</u>

The notes to the financial statements are an integral part of this statement

LAKE SHASTINA COMMUNITY SERVICES DISTRICT

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2021**

	Major Special Revenue Funds				Total Governmental Funds
	General Fund	Police	Fire	Cops Grant	
Assets					
Cash and investments	\$ 182,462	\$ 437,489	\$ 531,583	\$ -	\$ 1,151,533
Receivables					
Accounts	6,942	34,970	59,783		101,695
Assesments		57,114			57,114
Delinquent accounts-tax roll		158,048	50,011		208,059
Grants			17,145		17,145
Interest	70	293	356		719
Due from other fund		111,687			111,687
Prepaid expense	35,124	20,092	30,072	6,614	91,903
Due from others	14,759		29,392		44,151
Total assets	<u>\$ 239,357</u>	<u>\$ 819,693</u>	<u>\$ 718,342</u>	<u>\$ 6,614</u>	<u>\$ 1,784,006</u>
Liabilities					
Accounts payable	\$ 13,849	\$ 2,142	\$ 15,038	\$ 7,358	\$ 38,387
Accrued payroll	10,321	9,235	7,319	4,524	31,399
Deferred revenue			15,703		15,703
Due to other funds				111,687	111,687
Advance from other fund	266,060				266,060
Total liabilities	<u>290,230</u>	<u>11,377</u>	<u>38,061</u>	<u>123,569</u>	<u>463,237</u>
Fund balances					
Nonspendable					
Prepaid expense	35,124	20,092	30,072	6,614	91,902
Assigned for police		788,224			788,224
Assigned for fire			650,209		650,209
Unassigned	(85,997)			(123,569)	(209,566)
Total fund balances	<u>(50,873)</u>	<u>808,316</u>	<u>680,282</u>	<u>(116,955)</u>	<u>1,320,769</u>
Total liabilities and fund balances	<u>\$ 239,357</u>	<u>\$ 819,693</u>	<u>\$ 718,342</u>	<u>\$ 6,614</u>	<u>\$ 1,784,006</u>

The notes to the financial statements are an integral part of this statement

LAKE SHASTINA COMMUNITY SERVICES DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2021

Fund balances of governmental funds	\$ 1,320,769
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets, net of accumulated depreciation, are not current financial resources and are not included in the governmental funds.	456,853
Assets held for investment are not current financial resources and are not included in the governmental funds	389,263
Some liabilities, including long-term debt, accrued interest, compensated absences and deferred revenue are not due and payable in the current period and therefore are not reported in the funds.	
Deferred revenue	15,703
Compensated absences	(44,545)
Net pension liability, deferred inflows/outflows	<u>(202,553)</u>
Net position of governmental activities	<u>\$ 1,935,491</u>

The notes to the financial statements are an integral part of this statement

LAKE SHASTINA COMMUNITY SERVICES DISTRICT

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	General Fund	Major Special Revenue Funds			Total Governmental Funds
		Police	Fire	Cops Grant	
Revenues					
Assessments	\$ -	\$ 422,470	\$ 238,614	\$ -	\$ 661,084
Intergovernmental revenues			931,020	156,727	1,087,747
Use of money and property	85,298	1,666	581		87,545
Licenses and permits		3,305			3,305
Fines forfeitures and penalties			1,051		1,051
Donations			155,100		155,100
Other	12,333	20,369	9,511		42,213
Total revenues	<u>97,631</u>	<u>447,810</u>	<u>1,335,877</u>	<u>156,727</u>	<u>2,038,045</u>
Expenditures					
Current:					
General administration	41,171				41,171
Public protection-police		342,668		179,929	522,597
Public protection-fire			846,306		846,306
Interest expense	2,510				2,510
Capital outlay	21,917		120,968		142,885
Total expenditures	<u>65,597</u>	<u>342,668</u>	<u>967,274</u>	<u>179,929</u>	<u>1,555,469</u>
Net change in fund balance	<u>32,034</u>	<u>105,142</u>	<u>368,602</u>	<u>(23,203)</u>	<u>482,576</u>
Fund balances, beginning of fiscal year	<u>(82,907)</u>	<u>703,174</u>	<u>288,429</u>	<u>(93,752)</u>	<u>814,944</u>
Prior period adjustment			<u>23,250</u>		<u>23,250</u>
Fund balances, end of fiscal year	<u>\$ (50,873)</u>	<u>\$ 808,316</u>	<u>\$ 680,282</u>	<u>\$ (116,955)</u>	<u>\$ 1,320,769</u>

The notes to the financial statements are an integral part of this statement

LAKE SHASTINA COMMUNITY SERVICES DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE GOVERNMENT-WIDE
STATEMENT OF ACTIVITIES-GOVERNMENTAL ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Net change in fund balances - total governmental funds	\$ 482,576
Amounts reported for governmental activities in the statement of activities differs from the amounts reported in the statement of revenues, expenditures and changes in fund balances because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the costs of those assets are allocated over their estimated useful lives as depreciation expense or are allocated to the appropriate functional expense when the cost is below the capitalization threshold. This activity is reconciled as follows:	
Cost of assets capitalized	142,885
Depreciation expense	(47,730)
Sale of assets	-
Changes in proportions from the pension do not effect expenditures in the governmental funds, but the change is adjusted through expense in the government-wide statement.	1,634
Deferred revenue reported in the statement of activities do not provide current financial resources and, therefore, are not reported in governmental funds.	2,968
Compensated absences reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported in governmental funds.	<u>(14,686)</u>
Change in net position of governmental activities	<u>\$ 567,647</u>

LAKE SHASTINA COMMUNITY SERVICES DISTRICT

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	Water	Sewer	Totals
Current Assets:			
Cash and investments	\$ 512,782	\$ 354,283	\$ 867,065
General receivables	46,521	47,495	94,016
Unbilled services receivable	93,301	160,459	253,760
Delinquent accounts-tax roll	71,069	43,757	114,826
Grants receivable	75,475	820	76,295
Interest receivable	493	275	768
Prepaid expense	28,572	26,919	55,491
Inventory	46,939	5,639	52,578
Total current assets	<u>875,152</u>	<u>639,647</u>	<u>1,514,799</u>
Noncurrent Assets			
Advances to other funds	266,060		266,060
Capital Assets:			
Nondepreciable capital assets:			
Land	26,136	5,297	31,433
Construction in progress	129,575		129,575
Depreciable capital assets			
Infrastructure	2,501,694	6,786,950	9,288,644
Land improvements	21,318		21,318
Structures and improvements	172,905	116,984	289,889
Equipment and vehicles	348,962	228,253	577,215
Less accumulated depreciation	<u>(2,194,564)</u>	<u>(4,239,973)</u>	<u>(6,434,537)</u>
Total capital assets (net of accumulated depreciation)	<u>1,006,026</u>	<u>2,897,511</u>	<u>3,903,537</u>
Total noncurrent assets	<u>1,272,086</u>	<u>2,897,511</u>	<u>4,169,597</u>
Total assets	<u>2,147,238</u>	<u>3,537,158</u>	<u>5,684,396</u>
Deferred Outflows of Resources			
Deferred outflows from pensions	<u>79,181</u>	<u>97,423</u>	<u>176,604</u>
Liabilities			
Current Liabilities:			
Accounts payable and accrued expense	40,361	14,727	55,088
Accrued payroll	8,649	7,853	16,502
Compensated absences-current	14,085	14,085	28,170
Total current liabilities	<u>63,095</u>	<u>36,665</u>	<u>99,760</u>
Noncurrent Liabilities			
Compensated absences-noncurrent	20,440	16,603	37,043
Net pension liability	326,002	394,851	720,853
Total noncurrent liabilities	<u>346,442</u>	<u>411,454</u>	<u>757,896</u>
Total liabilities	<u>409,537</u>	<u>448,119</u>	<u>857,656</u>
Deferred Inflows of Resources			
Deferred inflows from pensions	<u>15,707</u>	<u>29,372</u>	<u>45,079</u>
Net Position:			
Net investment in capital assets	1,006,026	2,897,511	3,903,537
Unrestricted	795,149	259,579	1,054,729
Total net position	<u>\$ 1,801,175</u>	<u>\$ 3,157,090</u>	<u>\$ 4,958,265</u>

The notes to the financial statements are an integral part of this statement

LAKE SHASTINA COMMUNITY SERVICES DISTRICT

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	<u>Water</u>	<u>Sewer</u>	<u>Totals</u>
Operating Revenues			
Charges for services	\$ 485,339	\$ 714,640	\$ 1,199,979
Late payment penalties and other	7,493	8,572	16,065
Total operating revenues	<u>492,832</u>	<u>723,212</u>	<u>1,216,044</u>
Operating Expenses			
Salary and benefits	297,116	328,907	626,023
Services and supplies	333,640	202,390	536,030
Depreciation expense	171,947	223,135	395,082
Total operating expenses	<u>802,703</u>	<u>754,432</u>	<u>1,557,134</u>
Operating income (loss)	<u>(309,871)</u>	<u>(31,220)</u>	<u>(341,091)</u>
Non-operating Revenue (Expense)			
Connection fees	14,548	65,237	79,785
Interest revenue	5,908	1,767	7,675
Grant revenue	87,262	13,098	100,360
Interest expense		<u>(23,240)</u>	<u>(23,240)</u>
Total non-operating revenue (expense)	<u>107,718</u>	<u>56,862</u>	<u>164,580</u>
Change in net position	<u>(202,153)</u>	<u>25,642</u>	<u>(176,511)</u>
Net position, beginning of fiscal year	<u>2,003,328</u>	<u>3,131,448</u>	<u>5,134,776</u>
Net position, end of fiscal year	<u>\$ 1,801,175</u>	<u>\$ 3,157,090</u>	<u>\$ 4,958,265</u>

The notes to the financial statements are an integral part of this statement

LAKE SHASTINA COMMUNITY SERVICES DISTRICT

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
JUNE 30, 2021**

	<u>Water</u>	<u>Sewer</u>	<u>Totals</u>
Cash Flows from Operating Activities			
Cash received from customers	\$ 474,502	\$ 684,487	\$ 1,158,989
Cash payments to suppliers	(343,819)	(238,530)	(582,349)
Cash payments to employees	(260,877)	(301,390)	(562,268)
Net cash provided (used) by operating activities	<u>(130,194)</u>	<u>144,566</u>	<u>14,373</u>
Cash Flows from Non-Capital Financing Activities			
Payment for interfund advances	41,490		41,490
Net cash provided (used) by noncapital financing activities	<u>41,490</u>		<u>41,490</u>
Cash Flows from Capital and Related Financing Activities			
Purchases of capital assets	(69,342)	(99,745)	(169,087)
Cash received from grants	11,787	23,855	35,642
Principal paid on debt		(282,714)	(282,714)
Interest paid on debt		(23,240)	(23,240)
Connection fees	14,548	65,237	79,785
Net cash provided (used) by capital and related financing activities	<u>(43,007)</u>	<u>(316,607)</u>	<u>(359,614)</u>
Cash Flows from Investing Activities:			
Interest received on investments	7,599	2,646	10,245
Net increase (decrease) in cash and cash equivalents	(124,112)	(169,395)	(293,507)
Cash and cash equivalents, beginning of fiscal year	636,896	523,677	1,160,573
Cash and cash equivalents, end of fiscal year	<u>\$ 512,784</u>	<u>\$ 354,282</u>	<u>\$ 867,066</u>
Reconciliation of Cash and Cash Equivalents:			
Cash and investments	<u>\$ 512,782</u>	<u>\$ 354,283</u>	<u>\$ 867,065</u>
Reconciliation of operating income to net cash flows from operating activities:			
Operating income	\$ (309,871)	\$ (31,220)	\$ (341,091)
Noncash items included in operating loss:			
Depreciation	171,947	223,135	395,082
Changes in:			
General receivables	(25,671)	(30,222)	(55,892)
Unbilled service receivables	(268)	(18,656)	(18,924)
Tax roll receivables	7,609	10,152	17,761
Prepays	(27,791)	(26,750)	(54,541)
Accounts payables	17,612	(9,389)	8,223
Accrued payroll and benefits	3,837	1,847	5,684
Compensated absences	6,354	2,517	8,871
GASB 68 pension adjustments	26,047	23,153	49,200
Net cash provided (used) by operating activities	<u>\$ (130,195)</u>	<u>\$ 144,567</u>	<u>\$ 14,372</u>

The notes to the financial statements are an integral part of this statement

LAKE SHASTINA COMMUNITY SERVICES DISTRICT
Notes to Financial Statements
June 30, 2021

Note 1: Summary of Significant Accounting Policies

The basic financial statements of Lake Shastina Community Services District, (the “District”) have been prepared in conformity with accounting principles generally in the United States of America (“U.S. GAAP”) as applied to governmental agencies. The Governmental Accounting Standards Board (“GASB”) is the acceptable standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District’s accounting policies are described below.

A. Reporting Entity

The District was form in 1978 and is located in Siskiyou County, California. The District operated under a five member Board of Directors and provides services including police and fire protection, the collection and treatment of wastewater and provides water to the residences within the District’s boundaries.

The financial reporting entity, as defined by the GASB, consists of the primary government, the District, organizations for which the primary government is financially accountable, and any other organization for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

B. Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned or, for assessment revenues, in the period for which levied. Expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligible requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when both measurable and available. Measurable means the amount of the transaction can be determined and available means collectible in the current period or soon enough thereafter to be used to pay liabilities of the current period. Resources not available to finance expenditures and commitments of the current period are recognized as deferred revenue or as a reservation of fund balance.

Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt, as well as compensated absences and claims and judgments are recorded only when payment is due. General capital acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and capital leases are reported as other financial sources.

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 and investment earnings, result from non-exchange transactions or ancillary activities.

C. Basis of Presentation

Government-Wide Financial Statements

The statement of net position and statement of activities display information about the District. These statements include the financial activities of the overall government. These statements distinguish between the governmental and business-type activities of the District. Governmental activities, which normally are supported by taxes, assessments and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees charged to external parties.

LAKE SHASTINA COMMUNITY SERVICES DISTRICT
Notes to Financial Statements
June 30, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continue)

The statement of activities demonstrates the degree to which the program expenses of a given function are offset by program revenues. Program expenses include direct expenses, which are clearly identifiable with a specific function. Program revenues include 1) charges paid by the recipient of goods or services offered by the programs and 2) 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 instead as general revenues.

When both restricted and unrestricted net position are available, unrestricted resources are used only after the restricted resources are depleted.

Fund Financial Statements

The fund financial statements provide information about the District's funds. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in separate columns.

The District reports the following major governmental funds:

General Fund - This fund accounts for all the financial resources not required to be accounted for in another fund. This fund consists primarily of general government type activities.

Special Revenue Funds – These funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The District has three special revenue funds; the police fund, the fire fund and the COPS Grant fund.

The District reports the following major enterprise funds.

Water and Sewer Funds - account for the operation of the District's water and sewer utilities. Activities of these funds include administration, operation and maintenance of the water and sewer systems and billing and collection activities. The Funds also accumulate resources for, and payment of long-term debt principal and interest. All costs are financed through charges made to utility customers with rates reviewed regularly and adjusted if necessary to ensure the integrity of the Funds.

D. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

E. Cash and Cash Equivalents

For the purpose of the statement of cash flows, the District considers cash and cash equivalents as short term, highly liquid investments that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates.

Restricted cash and unrestricted pooled cash and investments held by the District are considered cash equivalents for purposes of the combined statement of cash flow's because the District's cash management pool and funds invested by the District possess the characteristics of demand deposit accounts.

LAKE SHASTINA COMMUNITY SERVICES DISTRICT
Notes to Financial Statements
June 30, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

F. Accounts Receivable

Accounts receivable are recorded for services, provided to individuals or non-governmental entities that are billed but unpaid. Proprietary Fund receivables are shown net of allowance for uncollectible accounts.

G. Inventory of Supplies

The inventory of supplies account is valued at cost and is determined on a first-in, first-out basis, which approximates market.

H. Prepaid Expense

Prepaid expenses are payments made to vendors in the current accounting period for costs applicable to future accounting periods.

I. Fixed Assets

Capital assets, recorded at historical cost or estimated historical cost if actual historical cost is not available, are reported in governmental activities column of the government-wide financial statements. Contributed fixed assets are valued at their estimated fair market value. Capital assets include land, buildings and building improvements and equipment. Capital assets are defined by the District as assets with an initial, individual cost of more than \$2,500.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Depreciation is recorded in the government-wide financial statements on the straight-line basis over the useful life of the assets as follows:

<u>Assets</u>	<u>Useful Life</u>
Subsurface sewer lines	40-50 years
Sewage collections facilities	10-40 years
Sewage disposal facilities	40 years
Water System	5-35 years
Building	20-40 years
Equipment	5-20 years
Vehicles	5-10 years

J. Compensated Absences

District employees are granted vacation and sick time in varying amounts based on classification and length of service. Upon termination or retirement, the District is to pay 100% of the vacation time accrued and sick time will be paid based on the tier system the District has established for sick time earned. For employees who retire from the District, accrued sick leave at the time retirement will be added to years of service for pension purposes.

K. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

LAKE SHASTINA COMMUNITY SERVICES DISTRICT
Notes to Financial Statements
June 30, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

L. Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, the statement of net position includes 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) which will only be recognized as an outflow of resources (expense/expenditures) in the futures. The change in proportion and differences between the District contributions and proportionate share of contributions, and resources in the government-wide statement of net position. District contributions subsequent to the measurement date are being amortized in the current fiscal year as provided by accounting pronouncement GASB Statement No. 71. The change in proportion and difference between District contributions and proportionate share of contributions is amortized over the estimated service lives of pension plan participants. In addition to liabilities, the statement of net position includes a separate section of deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and would only be recognized as an inflow of resources (revenue) at that time. The District's proportionate share of the net difference between projected and actual earnings on pension plan investments is reported as deferred inflows of resources in the government-wide statement of net position. The amount will be amortized over a five year period.

M. Net Position

The government-wide and proprietary fund financial statements utilize a net position presentation. Net position are categorized as invested in capital assets (net of related debt), restricted, and unrestricted.

- Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- Restricted net position – Consists of net position with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. These principally include restrictions for capital projects, debt service requirements and other special revenue fund purposes.
- Unrestricted net position – All other net position that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

N. Fund Balances

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. As of June 30, 2021, fund balances for governmental funds are made up of the following:

- Nonspendable fund balance - includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.
- Restricted fund balance - includes amounts that can be spent for specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.

LAKE SHASTINA COMMUNITY SERVICES DISTRICT
Notes to Financial Statements
June 30, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

N. Fund Balances (Continued)

- Committed fund balance - includes amounts that can only be used for the specific purposes determined by a formal action of the District’s highest level of decision-making authority, the Board of Directors. Commitments may be changed or lifted only by the District taking the same formal action that imposed the constraint originally (for example: resolution and ordinance).
- Assigned fund balance - comprises amounts intended to be used by the District for specific purposes that are neither restricted nor committed. Intent is expressed by (1) the Board of Directors or (b) a body (for example: a budget or finance committee) or official to which the Board of Directors has delegated the authority to assign amounts to be used for specific purposes.
- Unassigned fund balance - is the residual classification for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, that fund would report a negative unassigned fund balance.

Note 2: Cash and Investments

The District maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as cash and investments. Unless otherwise dictated by legal or contractual requirements, income earned or losses arising from the investment of pooled cash are allocated on a quarterly basis to the participating funds and component units based on their proportionate shares of the average quarterly cash balance.

The District maintains “restricted cash and investments”.

Cash and investments at June 30, 2021, consisted of the following:

Cash on hand	\$ 311
Deposit accounts	217,081
Investments (LAIF)	1,801,206
Total cash and investments	\$ 2,018,598

A. Investments Authorized by the California Government Code and the Entity’s Investment Policy

The table below identifies the **investment types** that are authorized for Lake Shastina Community Services District by the California Government Code (or the District’s investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District’s investment policy, where more restrictive) that address **interest rate risk**, **credit risk** and **concentration of credit risk**. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District investment policy.

LAKE SHASTINA COMMUNITY SERVICES DISTRICT
Notes to Financial Statements
June 30, 2021

Note 2: Cash and Investments (Continued)

A. Investments Authorized by the California Government Code and the Entity's Investment Policy (Continued)

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Percentage of Portfolio</u>	<u>Investment in One Issuer</u>
Investment pools authorized under CA			
Statutes governed by Government Code	N/A	None	\$40 million
U.S. Treasury Obligations	5 years	None	None
Bank Savings Accounts	N/A	25%	None
Federal Agencies	5 years	75%	None
Commercial Paper	180 days	20%	None
Negotiable Certificates of Deposit	180 days	20%	None
Re-Purchase Agreements	180 days	20%	None
Corporate Debt	5 years	25%	None

B. Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of all investments. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investment maturity:

<u>Investment Type</u>	<u>Totals</u>	<u>Remaining Maturity (in Months)</u>	
		<u>12 Months or Less</u>	<u>13-48 Months</u>
Local Agency Investment Fund	\$ 1,801,206	\$ 1,801,206	\$ -
Totals	\$ 1,801,206	\$ 1,801,206	\$ -

*Not subject to categorization

C. Concentrations of Credit Risk

The investment policy of the District contains limitations on the amount that can be invested in any one issuer. There are no investments to one issuer exceeding those limits.

D. 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 deposit or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment of collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits; The California Government Code requires that a financial institution secured 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 government unit). The fair 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 the District's deposits by pledging first deed mortgage notes having a value of 150% of the secured public deposits.

At June 30, 2021, the District's deposits balance was \$225,046 and the carrying amount was \$217,081. The difference between the bank balance and the carrying amount was due to normal outstanding checks and deposits in transit. Of the bank balance all was covered by the Federal Depository Insurance or by collateral held in the pledging bank's trust department in the District's name.

LAKE SHASTINA COMMUNITY SERVICES DISTRICT
Notes to Financial Statements
June 30, 2021

Note 2: Cash and Investments (Continued)
D. Custodial Credit Risk (Continued)

LAIF is included in the State's Pooled Money Investment Account. The total amount invested by all public agencies in the State's Pooled Money Investment Account approximates \$193.32 billion. Of the \$193.32 billion managed by the State Treasurer, 100% is invested in non-derivative financial products and 2.31% is invested in structured notes and asset-backed securities. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by state statute.

Investments are accounted for in accordance with the provisions of GASB Statement No. 31, which requires governmental entities to report certain investments at fair value in the balance sheet and recognize the corresponding change in fair value of investments in the year in which the change occurred. The District reports its investments at fair value based on quoted market information obtained from fiscal agents or other sources if the change is material to the financial statements.

Note 3: Assessments and Accounts Receivable

Major receivable balances for both governmental and business-type activities include assessments for services and assessments for services placed on the Siskiyou County tax rolls. There is no allowances for uncollectible accounts as management feels all amounts are collectible. Charges for sewer and water services are recorded when earned. Services provided but unbilled at year-end have been included in the accompanying financial statements.

Note 4: Capital Assets

Capital asset activity for the year ended June 30, 2021 was as follows:

	Balance July 1, 2020	Additions	Retirements/ Adjustments	Balance June 30, 2021
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 37,506	\$ -	\$ -	\$ 37,506
Construction in progress		41,917		41,917
Capital assets, being depreciated:				
Structures and improvements	426,089			426,089
General equipment	487,619	100,968		588,587
Vehicles and rolling stock	617,181			617,181
Total capital assets, being depreciated	1,530,889	100,968	-	1,631,857
Less accumulated depreciation:	(1,206,697)	(47,730)		(1,254,427)
Governmental activities capital assets, net	\$ 361,698	\$ 95,155	\$ -	\$ 456,853
Business-Type Activities				
Capital assets, not being depreciated:				
Land	\$ 31,433	\$ -	\$ -	\$ 31,433
Construction in progress	168,323		(38,748)	129,575
Capital assets, being depreciated:				
Infrastructure	9,219,492	69,152		9,288,644
Land improvements	21,318			21,318
Structures and improvements	289,889			289,889
Vehicles and rolling stock	438,531	138,684		577,215
Total capital assets, being depreciated	9,969,230	207,836		10,177,066
Less accumulated depreciation:	(6,039,455)	(395,082)		(6,434,537)
Total capital assets, being depreciated, net	3,929,775	(187,246)		3,742,529
Business-type activities capital assets, net	\$ 4,129,531	\$ (187,246)	\$ (38,748)	\$ 3,903,537

LAKE SHASTINA COMMUNITY SERVICES DISTRICT
Notes to Financial Statements
June 30, 2021

Note 5: Long-term Liabilities

Governmental Activities:

A summary of the changes in the District's long-term liabilities reported in the governmental activities column of the government-wide financial statements for the year ended June 30, 2021:

	Balance July 1, 2020	Additions	Adjustments/ Retirements	Balance June 30, 2021	Due Within One Year
Compensated absences	\$ 29,859	\$ 59,284	\$ (44,598)	\$ 44,545	\$ 17,818
Net pension liability	240,587	36,150		276,737	
Total	<u>\$ 270,446</u>	<u>\$ 95,434</u>	<u>\$ (44,598)</u>	<u>\$ 321,282</u>	<u>\$ 17,818</u>

Business Activities:

A summary of the changes in the District's long-term business-type liabilities reported in the proprietary funds statement of net position and the business-type activities column of the government-wide financial statements for the year ended June 30, 2021:

	Balance July 1, 2020	Additions	Adjustments/ Retirements	Balance June 30, 2021	Due Within One Year
Compensated absences	\$ 56,340	\$ 36,376	\$ (27,503)	\$ 65,213	\$ 26,085
Net pension liability	645,555	75,297		720,852	
Note payable	282,714		(282,714)	-	
Total	<u>\$ 984,609</u>	<u>\$ 111,673</u>	<u>\$ (310,217)</u>	<u>\$ 786,065</u>	<u>\$ 26,085</u>

Note Payable

On August 18, 2010, the sewer fund obtained a \$600,000 loan to finance the sewer pond construction. The loan, with interest calculated at 5.95%, is to be repaid in thirty semi-annual payments of \$30,513 over fifteen years. Principal and interest paid for the current year was \$61,026. Total principal and interest remaining on the loan is \$282,714 which is the amount of the remaining dedicated source of pledged revenues. This debt was paid off during the current fiscal year.

LAKE SHASTINA COMMUNITY SERVICES DISTRICT
Notes to Financial Statements
June 30, 2021

Note 6: Defined Benefit Pension Cost-Sharing Employer Plan

A. General Information about the Pension Plans

Plan Descriptions – All qualified non-safety, safety Police and safety Fire, permanent and probationary employees are eligible to participate in the District’s Miscellaneous and Safety Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees’ Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website. Effective August 26, 2019 Local Police Officers were added as members of the retirement system.

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire between ages 55 and 62, dependent upon the individual plan criteria, with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

The Plans’ provisions and benefits in effect at June 30, 2021, are summarized as follows:

	Miscellaneous		Safety	
	Prior to January 1, 2013	On or after January 1, 2013	Prior to January 1, 2013	On or after January 1, 2013
Hire date				
Benefit formula	2.0% @ 55	2.0% @ 62	2.7% @ 57	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life	monthly for life
Retirement age	50-57	52-67	52-57	52-57
Monthly benefits, as a % of compensation	1.5% to 2.0%	1.0% to 2.0%	2.20% to 2.70%	2.20% to 2.70%
Required employee contribution rates	7.00%	6.75%	12.00%	12.00%
Required employer contribution rates	10.48%	7.73%	13.03%	12.78%

Contributions – Section 20814(c) of the California Public Employees’ Retirement Law requires that the 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. Funding contributions for the Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2021, the contributions recognized as part of pension expense for each Plan were as follows:

Contributions-employer miscellaneous classic	\$ 102,517
Contributions-employer miscellaneous-PEPRA	12,341
Contributions-employer PD safety classic	10,008
Contributions-employer PD safety PEPRA	13,040
Contributions-employer Fire safety PEPRA	2,007

LAKE SHASTINA COMMUNITY SERVICES DISTRICT
Notes to Financial Statements
June 30, 2021

Note 6: Defined Benefit Pension Cost-Sharing Employer Plan (Continued)

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2021, the District reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

	Proportionate share of Net pension liability	
Miscellaneous Plan	\$	996,874
Safety Plan	\$	716

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2020, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

The District's proportionate share of the net pension liability as of June 30, 2020 and 2021 reporting dates were as follows:

Proportion - June 30, 2020	0.02213%
Proportion - June 30, 2021	0.02363%
Change - Increase (Decrease)	0.00150%

For the year ended June 30, 2021, the District recognized pension expense of \$301,528. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 51,428	\$ -
Changes of assumptions		(7,112)
Net difference between projected and actual earnings	29,629	
Changes in proportion	46,036	
Changes in proportionate share of contributions		(54,186)
District contributions subsequent to the measurement date	139,913	
Total	\$ 267,006	\$ (61,298)

\$139,913 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Period	
Year Ended June 30:	
2022	\$ (2,772)
2023	(24,992)
2024	(23,823)
2025	(14,208)

LAKE SHASTINA COMMUNITY SERVICES DISTRICT
Notes to Financial Statements
June 30, 2021

Note 6: Defined Benefit Pension Cost-Sharing Employer Plan (Continued)

Actuarial Assumptions – The total pension liabilities in the June 30, 2018 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Payroll Growth	3.00%
Projected Salary Increase	3.3% - 14.2% (1)
Investment Rate of Return	7.15%

Discount Rate – The discount rate used to measure the total pension liability was 7.15% for each Plan. 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 percent 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 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

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.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

LAKE SHASTINA COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2021

Note 6: Defined Benefit Pension Cost-Sharing Employer Plan (Continued)

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1-10 (1)</u>	<u>Real Return Years 11+ (2)</u>
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28%	1.00%	2.62%
Inflation Assets	0%	0.77%	1.81%
Private Equity	8%	6.30%	7.23%
Real Estate	13%	3.75%	4.93%
Liquidity	1%	0.00%	-0.92%

(1) An expected inflation of 2.00% used for this period

(2) An expected inflation of 2.92% used for this period

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the District’s proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>Discount Rate -1% (6.15%)</u>	<u>Current Discount Rate (7.15%)</u>	<u>Discount Rate +1% (8.15%)</u>
Miscellaneous	\$ 1,591,927	\$ 996,874	\$ 505,201
Safety	\$ 1,078	\$ 716	\$ 419

Note 7: Money Purchase Pension Plan

The Lake Shastina Community Services District Money Purchase Pension Plan was adopted for the purpose of rewarding long and loyal service to the Police Officer employee’s by adding additional financial security at retirement. Fire department employees were subsequently added. Incidental benefits are provided in the case of disability, death or termination of employment. The Plan is a type of qualified retirement plan commonly referred to as a money purchase pension plan. Since the principal purpose of the plan is to provide benefits at normal retirement age, the principal goal of the investment of the funds in the plan should be both security and long-term stability with moderate growth commensurate with the anticipated retirement dates of participants. Investments, other than “fixed dollar” investments, should be included among the plan’s investments to prevent erosion by inflation. However, investments should be sufficiently liquid to enable to plan, on short notice, to make some distributions in the event of death or disability of a participant. Employees are generally not taxed on the amounts the District contributes to the Plan on their behalf until they withdraw these amounts from the Plan.

During the 2019/20 fiscal year the City adopted a safety plan with CalPERS for the Police Department employee’s. See note 6 to these financial statements for information on the safety member Defined Benefit Pension Plan with CalPERS.

The District contributes an amount equal to 6 percent of eligible fire department employees’ regular wages. Total contributions for the year ended June 30, 2021 were \$2,440. Fire department eligible employees are also covered by Social Security. As of June 30, 2021 there was one Fire Department employee covered under the plan.

LAKE SHASTINA COMMUNITY SERVICES DISTRICT
Notes to Financial Statements
June 30, 2021

Note 8: Interfund Transactions

Transfers are used to (1) move revenues from the fund required by statute or budget to collect them to the fund required by statute or budget to expend them, and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Receivables and Payables

Balances representing lending/borrowing transactions between funds outstanding at the fiscal year end are reported as either "due from/due to other funds" (amounts due within one year), "advances to/from other funds" (non-current portions of interfund lending/borrowing transactions), or "loans to/from other funds" (long-term lending/borrowing transactions evidenced by loan agreements). Advances and loans to other funds are offset by a fund balance reserve in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

Note 9: Related Party Transaction

The District prepares, bills and collects the association dues for the Lake Shastina Property Owner's Association (LSPOA). The District also processes bills, payroll and provides other financial and administrative services for the LSPOA. The LSPOA utilizes office space in the District administration building, has a separate Board of Directors, is a separate legal entity and is not reported as a component unit of Lake Shastina Community Services District as defined by its reporting entity. The amount of payroll reimbursements paid by LSPOA to the District during the 2020/21 fiscal year was \$45,384 and the amount of shared services and supplies reimbursed was \$41,224. Furthermore the LSPOA general manager is also a Board Member of Lake Shastina Community Services District.

Note 10: Stewardship, Compliance and Accountability

A. Deficit Fund Balances

At June 30, 2021, the General Fund had a negative fund balance of \$50,873, and the Cops Fund had a negative fund balance of \$116,955. The deficit balances are expected to be corrected upon reimbursements from other funds, or from future revenue over expenditures.

B. Budget Variances

The general fund operating expense was \$10,156 over budget and capital expense was \$11,917 over the legally adopted budget. The capital expense for the fire fund was over the final budget by \$19,968.

C. Prior Period Adjustment

A prior period adjustment was made increasing beginning fund balance in the fire fund and beginning net position in the statement of activities by \$23,250 to reverse an accounts payable to CalOES recorded in a prior year.

Note 11: Revenue Limitations Imposed by California Proposition 218

Proposition 218, which was approved by the voters in November 1996, regulates the District's ability to impose, increase, and extend taxes and assessments. Any new increase or extended taxes and assessments subject to the provisions of Proposition 218, requires voter approval before they can be implemented. Additionally, Proposition 218 provides that these taxes and assessments are subject to voter initiative and may be rescinded in the future years by the voters.

LAKE SHASTINA COMMUNITY SERVICES DISTRICT
Notes to Financial Statements
June 30, 2021

Note 12: Commitments and Contingencies

Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

In the normal course of business, the District is subject to various lawsuits. Defense of lawsuits is typically handled by the District's insurance carrier and losses, if any, are expected to be covered by insurance.

COVID 19

In December 2019, a novel strain of coronavirus has spread around the world resulting in business and social disruption. The coronavirus was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. The operations and business results of Lake Shastina Community Services District could potentially be adversely affected by this global pandemic. The extent to which the coronavirus may impact business activity or investment results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain the coronavirus. The District has not included any contingencies in the financial statements specific to this issue.

Commitments

The District had professional service commitments as of June 30, 2021 including \$312,506 remaining on the engineering contract for the water planning study which is expected to be reimbursed with a SWRCB grant.

Note 13: Subsequent Event

Subsequent to fiscal year end the District completed the purchase of the Fire department steel building for \$65,168. The District also purchased a backhoe on August 26, 2021 for \$132,318 net of a \$7,000 trade in allowance.

Subsequent events were evaluated through June 3, 2022, the date these financial statements were available for distribution.

LAKE SHASTINA COMMUNITY SERVICES DISTRICT

**REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
June 30, 2021**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues				
Interest	\$ 1,100	\$ 1,100	\$ 594	\$ (506)
Rental income	84,703	84,703	84,705	2
Other revenues and reimbursements	<u>9,500</u>	<u>10,712</u>	<u>12,333</u>	<u>1,621</u>
Total revenues	<u>95,303</u>	<u>96,515</u>	<u>97,632</u>	<u>1,117</u>
Expenditures				
General administration	49,803	31,015	41,171	(10,156)
Interest expense	9,000	9,000	2,510	6,490
Capital outlay	<u>10,000</u>	<u>10,000</u>	<u>21,917</u>	<u>(11,917)</u>
Total expenditures	<u>68,803</u>	<u>50,015</u>	<u>65,597</u>	<u>(15,582)</u>
Net change in fund balance	<u>\$ 26,500</u>	<u>\$ 46,500</u>	32,034	<u>\$ (14,465)</u>
Fund balances, beginning of fiscal year			<u>(82,907)</u>	
Fund balances, end of fiscal year			<u>\$ (50,873)</u>	

LAKE SHASTINA COMMUNITY SERVICES DISTRICT

**REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
POLICE FUND
June 30, 2021**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues				
Assessments	\$ 432,180	\$ 432,180	\$ 422,470	\$ (9,710)
Intergovernmental	870	870		(870)
Use of money and property	6,000	6,000	1,666	(4,334)
License and permits	5,500	5,500	3,305	(2,195)
Other revenues and reimbursements	<u>10,200</u>	<u>10,200</u>	<u>20,369</u>	<u>10,169</u>
Total revenues	<u>454,750</u>	<u>454,750</u>	<u>447,810</u>	<u>(6,940)</u>
Expenditures				
Public protection-police	425,688	414,360	342,668	71,692
Capital outlay		<u>47,000</u>		<u>47,000</u>
Total expenditures	<u>425,688</u>	<u>461,360</u>	<u>342,668</u>	<u>118,692</u>
Net change in fund balance	<u>\$ 29,062</u>	<u>\$ (6,610)</u>	105,142	<u>\$ (125,632)</u>
Fund balances, beginning of fiscal year			<u>703,174</u>	
Fund balances, end of fiscal year			<u>\$ 808,316</u>	

LAKE SHASTINA COMMUNITY SERVICES DISTRICT

**REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
FIRE FUND
June 30, 2021**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues				
Assessments	\$ 117,510	\$ 319,640	\$ 238,614	\$ (81,026)
Intergovernmental revenues	310,729	941,929	931,020	(10,909)
Use of money and property	1,200	1,200	581	(619)
Fines forfeitures and penalties	30,000	15,000	1,051	(13,949)
Charges for services	70,000	45,000		(45,000)
Donations	5,000	5,100	155,100	150,000
Other revenues and reimbursements	<u>24,132</u>	<u>18,632</u>	<u>9,511</u>	<u>(9,121)</u>
 Total revenues	 <u>558,571</u>	 <u>1,346,501</u>	 <u>1,335,877</u>	 <u>(10,624)</u>
Expenditures				
Public protection-fire	577,901	1,009,276	846,306	162,970
Capital outlay		<u>101,000</u>	<u>120,968</u>	<u>(19,968)</u>
 Total expenditures	 <u>577,901</u>	 <u>1,110,276</u>	 <u>967,274</u>	 <u>143,002</u>
 Net change in fund balance	 <u>\$ (19,330)</u>	 <u>\$ 236,225</u>	 <u>368,602</u>	 <u>\$ 132,377</u>
 Fund balances, beginning of fiscal year			 <u>288,429</u>	
 Prior period adjustment			 <u>23,250</u>	
 Fund balances, end of fiscal year			 <u>\$ 680,281</u>	

LAKE SHASTINA COMMUNITY SERVICES DISTRICT

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE PLAN'S PROPORTIONATE SHARE OF THE NET PENSION
LIABILITY
June 30, 2021**

<u>Miscellaneous Plan</u>	District's proportion of the net pension liability (asset)	District's proportionate share of the net pension liability (asset)	District's covered-employee payroll	District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability
<u>Reporting Date</u>					
6/30/2015	0.01041%	\$647,752	\$531,976	121.76%	66.00%
6/30/2016	0.02384%	\$653,982	\$433,896	150.72%	71.25%
6/30/2017	0.02210%	\$767,697	\$334,425	229.56%	72.61%
6/30/2018	0.02180%	\$859,560	\$345,984	248.44%	65.04%
6/30/2019	0.02186%	\$823,815	\$437,361	188.36%	67.47%
6/30/2020	0.02213%	\$886,143	\$429,120	206.50%	67.92%
6/30/2021	0.02213%	\$996,874	\$431,954	230.78%	71.47%

<u>Safety Plan</u>	District's proportion of the net pension liability (asset)	District's proportionate share of the net pension liability (asset)	District's covered-employee payroll	District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability
<u>Reporting Date</u>					
6/30/2021	0.00001075%	\$716	\$170,431	0.42%	97.40%

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

LAKE SHASTINA COMMUNITY SERVICES DISTRICT

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
June 30, 2021**

<u>Miscellaneous Plan</u> <u>Reporting Date</u>	<u>Contractually required contribution</u>	<u>Contributions in relation to the contractually required contribution</u>	<u>Contribution deficiency (excess)</u>	<u>District's covered employees payroll</u>	<u>Contribution as a percentage of covered-employee payroll</u>
6/30/2015	\$83,991	(\$83,991)	\$0	\$531,976	15.79%
6/30/2016	\$83,991	(\$83,991)	\$0	\$433,896	19.36%
6/30/2017	\$71,983	(\$71,983)	\$0	\$334,425	21.52%
6/30/2018	\$81,082	(\$81,082)	\$0	\$345,984	23.44%
6/30/2019	\$95,966	(\$95,966)	\$0	\$437,361	21.94%
6/30/2020	\$110,573	(\$110,573)	\$0	\$429,120	25.77%
6/30/2021	\$114,858	(\$114,858)	\$0	\$431,954	26.59%

<u>Safety Plan</u> <u>Reporting Date</u>	<u>Contractually required contribution</u>	<u>Contributions in relation to the contractually required contribution</u>	<u>Contribution deficiency (excess)</u>	<u>District's covered employees payroll</u>	<u>Contribution as a percentage of covered-employee payroll</u>
6/30/2021	\$25,055	(\$25,055)	\$0	\$170,431	14.70%

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

LAKE SHASTINA COMMUNITY SERVICES DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2021

Budgets and Budgetary Accounting

As required by the laws of the State of California, the District prepares and legally adopts a final balanced operating budget. Public hearings were conducted on the proposed final budget to review all appropriations and the sources of financing. Because the final budget must be balanced, any shortfall in revenue requires an equal reduction in financing requirements. At the fund level, actual expenditures cannot exceed budgeted appropriations.

Budgets for the general, and special revenue funds are adopted on the modified accrual basis of accounting. The budgets for the general and special revenue funds are the only legally adopted budgets. Budgets for the proprietary funds are used for management and control purposes only.

The budgetary data presented in the accompanying financial statements includes all revisions approved by the Board of Directors.