

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and General Manager
Shasta Community Services District
Shasta, CA

Report on the Audit of the Financial Statements

Opinions

I have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Shasta Community Services District as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Shasta Community Services District's basic financial statements as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the Shasta Community Services District as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

I conducted my 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. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the Shasta Community Services District and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Shasta Community Services District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

INDEPENDENT AUDITOR'S REPORT

(Continued)

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, I:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* (not presented), the budgetary comparison schedule on page 29 and the pension disclosure schedules on pages 30-31 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I 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

Management has omitted *Management's Discussion and Analysis* that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board. My opinion on the basic financial statements is not affected by this missing information.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated March 28, 2024, on my consideration of the Shasta Community Services District's internal control over financial reporting and on my tests of its compliance with certain provision of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Shasta Community Services District's 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 Shasta Community Services District's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "Charles W. Pillon, CPA". The signature is stylized and includes a large, circular flourish at the beginning.

Charles W. Pillon, CPA
Anderson, California

March 28, 2024

BASIC FINANCIAL STATEMENTS

SHASTA COMMUNITY SERVICES DISTRICT
Statement of Net Position
June 30, 2023

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 25,961	\$ 1,908,231	\$ 1,934,192
Receivables (net of allowances for bad debts, where applicable):			
Trade accounts	-	93,296	93,296
Intergovernmental	-	703,972	703,972
Prepaid expenses	-	18,183	18,183
Internal balances	527,942	(527,942)	-
Restricted cash and cash equivalents	-	136,652	136,652
Capital assets:			
Non-depreciable	2,847	1,177,823	1,180,670
Depreciable, net	83,383	9,763,192	9,846,575
Total Assets	640,133	13,273,407	13,913,540
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows from pensions	16,049	108,761	124,810
LIABILITIES			
Accounts payable	6,047	202,263	208,310
Accrued liabilities	-	47,546	47,546
Customer deposits	-	69,575	69,575
Net pension liability	24,158	163,707	187,865
Long-term liabilities:			
Due within one year	4,452	88,709	93,161
Due in more than one year	-	1,298,166	1,298,166
Total Liabilities	34,657	1,869,966	1,904,623
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows from pensions	1,740	11,790	13,530
NET POSITION			
Net investment in capital assets	86,230	9,573,803	9,660,033
Restricted	-	136,652	136,652
Unrestricted	533,555	1,789,957	2,323,512
Total Net Position	\$ 619,785	\$ 11,500,412	\$ 12,120,197

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

SHASTA COMMUNITY SERVICES DISTRICT
Statement of Activities
For The Year Ended June 30, 2023

	Program Revenues			Net (Expense) Revenues and Change in Net Position		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
Governmental Activities						
Fire Safety	\$ 160,797	\$ -	\$ -	\$ (160,797)	\$ -	\$ (160,797)
Business-Type Activities						
Water	1,101,249	-	736,187	-	625,584	625,584
Interest expense	11,172	-	-	-	(11,172)	(11,172)
Total Primary Government	\$ 1,273,218	\$ 990,646	\$ 736,187	(160,797)	614,412	453,615
General Revenues						
County Taxes				301,000	33,444	334,444
Interest income				10	26,515	26,525
Other				1,906	12,554	14,460
Total General Revenues				302,916	72,513	375,429
Change in Net Position				142,119	686,925	829,044
Net position - beginning of year, as previously reported				477,666	10,818,487	11,296,153
Prior period adjustments				-	(5,000)	(5,000)
Beginning of Year, as Restated				477,666	10,813,487	11,291,153
Net Position - End of Year				\$ 619,785	\$ 11,500,412	\$ 12,120,197

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

SHASTA COMMUNITY SERVICES DISTRICT
 Balance Sheet - Governmental Fund
 June 30, 2023

	Fire Safety Fund
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ASSETS	
Cash and cash equivalents	\$ 25,961
Interfund receivables	527,942
Total Assets	\$ 553,903
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LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	
Liabilities	
Accounts payable	\$ 6,047
Total Liabilities	6,047
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Fund Balance	
Unassigned	547,856
Total Fund Balance	547,856
Total Liabilities and Fund Balance	\$ 553,903
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The accompanying notes are an integral part of these financial statements.

SHASTA COMMUNITY SERVICES DISTRICT
Reconciliation of the Balance Sheet - Governmental Fund
to the Government-Wide Statement of Net Position
For The Year Ended June 30, 2023

Total Governmental Fund Balance		\$ 547,856
Assets recorded within the Statement of Net Position not reported in the funds:		
Nondepreciable capital assets		2,847
Depreciable capital assets, net of accumulated depreciation		83,383
Deferred outflows recorded within the Statement of Net Position not reported in the funds:		
Deferred outflows of resources relating to pensions		16,049
Liabilities recorded within the Statement of Net Position not reported in the funds:		
Compensated absences	(4,452)	
Net pension liability	(24,158)	(28,610)
Deferred inflows recorded within the Statement of Net Position not reported in the funds:		
Deferred inflows of resources relating to pensions		(1,740)
Net Position of Governmental Activities		\$ 619,785

SHASTA COMMUNITY SERVICES DISTRICT
Statement of Revenues, Expenditures and Change in
Fund Balance - Governmental Fund
For The Year Ended June 30, 2023

	Fire Safety Fund
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REVENUES	
Property taxes	\$ 301,000
Strike team revenue	42,884
Use of money and property	10
Other	1,906
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Total Revenues	345,800
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EXPENDITURES	
Current:	
Personnel	74,599
Repairs and maintenance	1,076
Training, per diem and other	40,418
Services and supplies	5,943
Insurance	11,337
Fuel	4,098
General and administrative	12,906
Capital outlay	26,790
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Total Expenditures	177,167
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Change in Fund Balance	168,633
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FUND BALANCE	
Beginning of Year	379,223
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End of Year	\$ 547,856
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SHASTA COMMUNITY SERVICES DISTRICT
Reconciliation of the Statement of Revenues, Expenditures and
Change in Fund Balance - Governmental Fund to the
Government-Wide Statement of Activities
For The Year Ended June 30, 2023

Changes in Fund Balance - Governmental Fund		\$ 168,633
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay		26,790
Depreciation expense		(9,724)
<p>Certain assets and liabilities are reported in the Statement of Activities, but they do not require the use of current financial resources. Therefore, they are not reported in governmental funds.</p>		
Change in compensated absences	975	
Change in deferred revenue - unavailable	(42,884)	
Change in deferred outflows and inflows of resources related to pensions	12,482	
Change in the net pension liability	(14,153)	(43,580)
Change in Net Position - Governmental Activities		\$ 142,119

SHASTA COMMUNITY SERVICES DISTRICT
Statement of Net Position
Proprietary Fund
June 30, 2023

	Water
ASSETS	
Cash and cash equivalents	\$ 1,908,231
Receivables (net of allowances for bad debts, where applicable):	
Trade accounts	93,296
Intergovernmental	703,972
Prepaid expenses	18,183
Restricted cash and cash equivalents	136,652
Capital assets:	
Non-depreciable	1,177,823
Depreciable, net	9,763,192
Total Assets	13,801,349
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows from pensions	108,761
LIABILITIES	
Accounts payable	202,263
Accrued liabilities	47,546
Customer deposits	69,575
Interfund payables	527,942
Net pension liability	163,707
Long-term liabilities:	
Due within one year	88,709
Due in more than one year	1,298,166
Total Liabilities	2,397,908
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows from pensions	11,790
NET POSITION	
Net investment in capital assets	9,573,803
Restricted:	
Short-lived asset reserve	65,763
Debt service reserve	70,889
Unrestricted	1,789,957
Total Net Position	\$ 11,500,412

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

SHASTA COMMUNITY SERVICES DISTRICT
Statement of Revenues, Expenses and Change in Net Position
Proprietary Fund
For The Year Ended June 30, 2023

	<u>Water</u>
OPERATING REVENUES	
User fees and charges	\$ 987,246
Other water services	3,400
Total Operating Revenues	990,646
OPERATING EXPENSES	
Water supply	47,290
Pumping	12,959
Water treatment	31,549
Transmission and distribution	64,076
Maintenance, operations and administration	649,590
Depreciation	284,511
Bad debt expense	11,274
Total Operating Expenses	1,101,249
Operating Income (Loss)	(110,603)
NONOPERATING REVENUES (EXPENSES)	
Intergovernmental revenues	736,187
Property taxes	33,444
Interest expense	(11,172)
Interest earned	26,515
Other	12,554
Total Nonoperating Revenues (Expenses)	797,528
Change in Net Position	686,925
NET POSITION	
Beginning of year, as originally reported	10,818,487
Prior period adjustment	(5,000)
Beginning of Year, as Restated	10,813,487
End of Year	\$ 11,500,412

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

SHASTA COMMUNITY SERVICES DISTRICT
Statement of Cash Flows
Proprietary Fund
For The Year Ended June 30, 2023

	<u>Water</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 1,003,834
Payments to suppliers	(674,087)
Payments to employees (including benefits)	(21,759)
Net cash provided (used) by operating activities	307,988
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Receipt of property taxes	25,346
Net interfund receipts	216,650
Net cash provided (used) by noncapital financing activities	241,996
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Interest expense	(11,172)
Payments on long-term debt	(11,832)
Purchase of capital assets	(572,760)
Receipt of capital contributions	330,769
Net cash provided (used) by capital and related financing activities	(264,995)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income received	26,515
Net Increase (Decrease) in Cash	311,504
CASH	
Beginning of Year	1,733,379
End of Year	\$ 2,044,883
Comprised of:	
Cash and investments	\$ 1,908,231
Restricted cash and investments	136,652
Cash and Investments	\$ 2,044,883
Reconciliation of operating income (loss) to cash provided (used) by operating activities:	
Operating income (loss)	\$ (110,603)
Adjustments to reconcile operating income (loss) to cash provided (used) by operating activities:	
Depreciation	284,511
(Increase) decrease in:	
Accounts receivable	6,765
Prepaid expenses	61,095
Deferred outflows from pensions	(65,866)
Increase (decrease) in:	
Accounts payable	19,151
Accrued liabilities	1,704
Customer deposits	7,100
Compensated absences	1,639
Net pension liability	126,866
Deferred inflows from pensions	(24,374)
Net Cash Provided (Used) by Operating Activities	\$ 307,988
Respective change in accounts payable does not reflect the payable related to capital assets	<u>\$ 170,175</u>

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

SHASTA COMMUNITY SERVICES DISTRICT
Notes to Financial Statements
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements of Shasta Community Services District (the District) were prepared in accordance with accounting principles generally accepted in the United States of America for governmental entities (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following summary of the more significant accounting policies of the District is presented to assist the reader in interpreting these financial statements and should be viewed as an integral part of this report.

Organization

The District is a California special district governed by an elected five-member board which provides fire protection and water services to approximately 900 customers in an unincorporated area west of the city of Redding. As required by accounting principles generally accepted in the United States of America, these financial statements present the District alone, as the District has no component units, related organization, or jointly governed organizations. In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic - but not the only - criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities.

Basis of Presentation

The financial statement presentation required by Governmental Accounting Standards Board (GASB) Statements No. 34, 37, 38 and 39 provides a comprehensive, entity-wide perspective of the District's overall financial position and results of operation while maintaining the presentation of the financial position, results of operations, and cash flows, as applicable, of the District's major funds, which include all District funds.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the District. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

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

The accounts of the District are organized on the basis of two funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues, and expenditures/expenses. Each fund was established for the purpose of accounting for specific activities in accordance with applicable regulations, restrictions, or limitations. Separate financial statements are provided for the governmental fund (fire) and the proprietary fund (water).

Proprietary fund's (water) revenues are reported as operating or non-operating revenues. Operating revenues include charges to customers and non-operating revenues include grants and contributions, interest income and other revenues.

SHASTA COMMUNITY SERVICES DISTRICT
Notes to Financial Statements
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

The governmental fund utilizes a current financial resources measurement focus. Only current assets and current liabilities are generally included on their balance sheets. Their operating statements present resources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the year.

The proprietary (enterprise) fund utilizes an economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as a net position.

The modified accrual basis of accounting is used by the governmental fund type. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers property taxes as available if they are collected within 60 days after year end. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred.

The accrual basis of accounting is utilized by the proprietary fund type. Under this method, revenues are recorded when earned and the expenses are recorded at the time liabilities are incurred.

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Restricted cash consists of amounts held for customer deposits and reserves for principal repayments.

Accounts Receivable

Accounts receivables represent amounts due from private persons, firms, or other entities based on the amounts billed for water usage but not received as of June 30, 2023. Losses on uncollectible accounts receivable are recognized when such losses become known or indicated. No allowance for losses has been reflected at June 30, 2023, as management believes all remaining accounts are fully collectible.

Internal Balances (Interfund Receivables and Payables)

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between the funds. Typically, these transactions are payroll and administrative cost related and are ordinarily reimbursed in less than one month after initial inception. During the fiscal year ended June 30, 2023, the District's water fund recorded an amount due to the fire fund from collections of strike team and property tax revenue received during the fiscal year.

Prepaid Expenses

Prepaid expenses consist of operating expenses where payment is made in advance and then expensed when the benefit is received.

SHASTA COMMUNITY SERVICES DISTRICT
Notes to Financial Statements
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements. In the government-wide financial statements, property, plant, and equipment are accounted for as capital assets. Capital assets are defined by the District as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. All capital assets are valued at historical cost or estimated historical cost if the actual cost is unavailable, except for donated fixed assets, which are recorded at their estimated fair value at the date of donation. Estimated historical cost was used to value the majority of the assets acquired prior to June 30, 2010.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives in years by type of asset are as follows:

Filtration Plant	50 Years
Transmission and Distribution	10 - 50 Years
Furniture and Equipment	5 - 10 Years
Buildings	15 - 50 Years
Other Equipment	10 - 15 Years

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Budget

By state law, the District's Governing Board must approve a tentative budget no later than July 1 and adopt a final budget no later than August 20. A public hearing must be conducted to receive comment prior to adoption. The budget is prepared by activity and the Board must approve all amendments. The legal level of budgetary control is at the fund level. The District's budget is adopted on an accrual basis, and the same basis is used to account for the governmental fund.

Property Taxes

The County of Shasta assesses, bills, and collects property taxes for the District. Assessed values are determined annually by the Shasta County Assessor as of January 1 and become a lien on such property January 1. Taxes are due November 1 and February 1 (secured), and July 1 (unsecured) and are delinquent if not paid by December 10 and April 10 (secured), and August 31 (unsecured). The County is permitted by the State Constitution (Article XIII A) to levy taxes at 1% of the full market value of the property (at the time of purchase) and can increase a property's assessed valuation by reappraisal due to new construction, change in ownership, or by increase in fair market value not to exceed a 2% each year. Property taxes collected by the County on behalf of the District but not remitted to the District by June 30 are accrued in revenue and included in other accounts receivable.

Compensated Absences

Vested or accumulated vacation leave, sick leave, and compensatory time are accrued in the proprietary fund and in the government-wide statements as the benefits accrue to employees. However, expenditures for compensated absences are recognized in the governmental fund financial statements in the current year to the extent they are paid during the year or the vested amount is expected to be paid with available resources.

SHASTA COMMUNITY SERVICES DISTRICT
Notes to Financial Statements
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Operating Revenue and Expense

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

Pensions

In government-wide financial statements, retirement plans (pensions) are required to be recognized and disclosed using the accrual basis of accounting (see Note 6 and the required supplementary information (RSI) section immediately following the Notes to Financial Statements), regardless of the amount recognized as pension expenditures on the governmental fund statements, which use the modified accrual basis of accounting.

In general, the District recognized a net pension liability, which represents the District's proportionate share of the excess of the total pension liability over the fiduciary net position of the pension reflected in the actuarial report provided by California Public Employees' Retirement System (CalPERS). The net pension liability is measured as of the District's prior fiscal year end. Changes in the net pension liability are recorded, in the period incurred, as pension expense or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change. The changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources (that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience) are amortized over the weighted average remaining service life of all participants in the respected pension plan and are recorded as a component of pension expense beginning with the period in which they are incurred.

For purposes of measuring the net pension liability, deferred outflows and deferred inflows of resources relating to pensions and pension expense, we determined information about the fiduciary net position, and additions to, or deductions from, the fiduciary net position, based on the reports from the CalPERS Financial Office. For this purpose, the employer should recognize benefit payments (including refunds of employee contributions) when currently due and payable, in accordance with the benefits terms. The employer should report investments at fair value. CalPERS' website provides publicly available CalPERS audited financial statements under "Forms and Publications."

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, we used the following timeframes:

Projected earnings on pension investments are recognized as a component of pension expense. Differences between projected and actual investment earnings on pension plan investments are reported as deferred inflows of resources or deferred outflows of resources and amortized as a component of pension expense over a five-year period on a straight-line basis.

Deferred Outflows/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, and as such, will not be recognized as an outflow of resources (expense/expenditures) until that time.

In addition to liabilities, the statement of net 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, and as such, will not be recognized as an inflow of resources (revenue) until that time. Refer to Note 6 for a detailed listing of the deferred outflows and inflows of resources the District has recognized.

SHASTA COMMUNITY SERVICES DISTRICT
Notes to Financial Statements
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position Classifications

Proprietary fund balance is classified as net position and displayed in three components:

Net Investment in Capital Assets: Consists of capital assets including restricted capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, leases, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted: Restricted expendable net position resources which are legally or contractually obligated to be spent in accordance with restrictions imposed by external third parties. The District's water fund has restricted net position in the amount of \$136,652 at June 30, 2023.

Unrestricted Net Position: Consists of all other net position that does not meet the definition of "restricted" or "net investment in capital assets."

Governmental fund balance is classified as fund balance. Fund balance is further classified and displayed in five components:

Non-spendable Fund Balance: Consists of amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact. The District's fire fund has no non-spendable fund balance.

Restricted Fund Balance: Consists of amounts that can be spent only for specific purposes because of constraints that are externally imposed by groups such as creditors, grantors, contributors, or the laws or regulations of other governments, or because of laws through constitutional provisions or enabling legislation. The District's fire fund has no restricted resources.

Committed Fund Balance: Consists of amounts that can be used only for specific purposes determined by a formal action of the District's Board of Directors. The District's Board of Directors is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolution or budget adoption approved by the District's Board of Directors. The District's fire fund has no committed resources.

Assigned Fund Balance: Consists of amounts the District intends to use for specific purposes. Assignments may be established either by the District's Board of Directors or a designee of the District's Board of Directors. The District's fire fund has no assigned resources.

Unassigned Fund Balance: Consists of the residual balance in the governmental entity that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes.

Proprietary fund net position is classified the same as in the government-wide statements.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent for a set of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the District's Board of Directors has provided otherwise in its commitment or assignment actions.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could vary from the estimates assumed in preparing the financial statements.

SHASTA COMMUNITY SERVICES DISTRICT
Notes to Financial Statements
June 30, 2023

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and investments as of June 30, 2023 are classified in the accompanying financial statements as follows:

<u>Statement of Net Position</u>	
<u>Cash and Cash Equivalents</u>	
Governmental Activities	\$ 25,961
Business-Type Activities	1,908,231
<u>Total Cash and Cash Equivalents</u>	<u>\$ 1,934,192</u>
<u>Restricted Cash and Cash Equivalents</u>	
Business-Type Activities	\$ 136,652
Consisting of:	
Balance in Financial Institutions	\$ 2,072,561

California Government Code Section 53601 places the following concentration limits on the District's investments:

No more than 5% may be invested in the securities of anyone issuer, except the obligations of the U.S. government, U.S. government agencies and U.S. government-sponsored enterprises; no more than 10% may be invested in any one mutual fund; no more than 25% may be invested in commercial paper; no more than 10% of the outstanding commercial paper of any single issuer may be purchased; no more than 30% may be invested in the bankers acceptances of anyone commercial bank; no more than 30% may be invested in negotiable certificates of deposit; no more than 20% may be invested in repurchase agreements or reverse repurchase agreements; and no more than 30% may be invested in medium-term notes.

Custodial Credit Risk

Credit risk is the risk that, in the event of the failure of the counterparty (e.g., financial institution, broker-dealer) to a transaction, a government will not be able to recover the value of its cash and investments or collateral securities that are in the possession of another party. For deposits, the California Government Code requires California banks and savings and loan associations to secure the District's deposits by pledging government securities as collateral. The market value of pledged securities must equal 110% of an entity's deposits. California law also allows financial institutions to secure an entity's deposits by pledging first trust deed mortgage notes having a value of 150% of an entity's total deposits. For investments, the District does not have a policy to address this risk. The District's accounts are federally insured up to \$250,000. There was \$1,596,102 in excess of FDIC insurance limits at June 30, 2023, and this amount is fully insured by the financial institution(s) under California Government Code.

Interest Rate Risk

While the District's investment policy does not address interest rate risk, the District manages its exposure to interest rate risk through reliance on the manager and Board of Directors of the District.

NOTE 3 – CAPITAL ASSETS

For the year ended June 30, 2023, the governmental activities, the Fire Fund, recognized \$9,724 of depreciation expense in the Statement of Activities.

During the year ended June 30, 2023, the following changes in capital assets for all governmental activities occurred:

SHASTA COMMUNITY SERVICES DISTRICT
Notes to Financial Statements
June 30, 2023

NOTE 3 – CAPITAL ASSETS (Continued)

	Beginning Balance	Additions Transfers In	Retirements Transfers Out	Ending Balance
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$ 2,847	\$ -	\$ -	\$ 2,847
Total Nondepreciable Capital Assets	2,847	-	-	2,847
Depreciable Capital Assets				
Buildings	29,711	26,790	-	56,501
Furniture and equipment	22,610	-	-	22,610
Rolling stock	741,170	-	-	741,170
Total Depreciable Capital Assets	793,491	26,790	-	820,281
Less: Accumulated Depreciation				
Buildings	26,484	869	-	27,353
Furniture and equipment	21,597	675	-	22,272
Rolling Stock	679,093	8,180	-	687,273
Total Accumulated Depreciation	727,174	9,724	-	736,898
Depreciable Capital Assets, Net	66,317	17,066	-	83,383
Governmental Capital Assets, Net	69,164	17,066	-	86,230
Business-Type Activities:				
Nondepreciable Capital Assets				
Land	160,132	-	-	160,132
Construction in progress	281,547	736,144	-	1,017,691
Total Nondepreciable Capital Assets	441,679	736,144	-	1,177,823
Depreciable Capital Assets				
Utility Plant	15,100	-	-	15,100
Transmission and distribution	12,845,297	-	-	12,845,297
Furniture and equipment	5,500	-	-	5,500
Right to use asset - lease	-	34,480	-	34,480
Rolling Stock	161,001	-	-	161,001
Total Depreciable Capital Assets	13,026,898	34,480	-	13,061,378
Less: Accumulated Depreciation				
Utility Plant	7,047	1,007	-	8,054
Transmission and distribution	2,904,637	267,179	-	3,171,816
Furniture and equipment	3,850	550	-	4,400
Right to use asset - lease	-	5,473	-	5,473
Rolling Stock	98,141	10,302	-	108,443
Total Accumulated Depreciation	3,013,675	284,511	-	3,298,186
Depreciable Capital Assets, Net	10,013,223	(250,031)	-	9,763,192
Business-Type Capital Assets, Net	10,454,902	486,113	-	10,941,015
Total Government-Wide Capital Assets	\$ 10,524,066	\$ 503,179	\$ -	\$ 11,027,245

SHASTA COMMUNITY SERVICES DISTRICT
Notes to Financial Statements
June 30, 2023

NOTE 4 – LONG-TERM OBLIGATIONS

Changes in notes from direct borrowings for the year ended June 30, 2023, are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Business-Type Activities					
(1) Note from direct borrowing	\$ 1,030,584	\$ -	\$ -	\$1,030,584	\$ 57,255
(2) Note from direct borrowing	313,980	-	5,726	308,254	5,897
(3) Lease liability	-	34,480	6,106	28,374	5,894
Total Business-Type Activities	\$ 1,344,564	\$34,480	\$ 11,832	\$1,367,212	\$ 69,046

The terms of the debt at June 30, 2023, as well as debt service requirements for business-type activities, are as follows:

(1) State Revolving Loan

During the fiscal year ending June 30, 2009, the District borrowed \$1,933,996 from the California Department of Public Health at 2.29%. On June 30, 2023, the principal balance outstanding was \$1,030,584. Due to the CARR fire devastation against the District and its residents in July 2018, the State amended the terms of the note to 0% interest, no payments for 5 years, changed the semi-annual principal payment to \$28,627 to begin in January 2024 and extended the term of the loan thirteen years to July 1, 2041. The amount of interest costs incurred during the year ended June 30, 2023, was zero due to these changes. The debt service requirements for this note is as follows:

State Revolving Loan		
Interest rate	0.00%	
Maturity date	July 1, 2041	
Year Ended June 30,	Principal	Interest
2024	\$ 57,255	\$ -
2025	57,255	-
2026	57,255	-
2027	57,255	-
2028	57,255	-
2029-2033	286,273	-
2034-2038	286,273	-
2039-2042	171,763	-
Total	\$ 1,030,584	\$ -

This outstanding note from direct borrowing related to business-type activities of \$1,030,584 contains a provision that in the event of default, outstanding amounts become immediately due if the District is unable to make the payment.

Security Interest: The District pledges to repay the entire Principal amount of the loan from all monthly fees assessed for water service connections and has pledged said monthly fees as collateral to secure said repayment.

Debt Service Reserve: The District agrees to provide for the accumulation of the necessary reserves (the "Reserve Fund") to assure that the funds available to make the semiannual payments when due. At a minimum, a reserve of two (2) semiannual payments (i.e. \$28,627 x 2 = \$57,255) shall be accumulated during the first ten years of the repayment term. At June 30, 2023, the District has accumulated the full amount of this reserve.

SHASTA COMMUNITY SERVICES DISTRICT
Notes to Financial Statements
June 30, 2023

NOTE 4 – LONG-TERM OBLIGATIONS (continued)

(2) United States Department of Agriculture (USDA)

During the fiscal year ending June 30, 2015, the District borrowed \$350,000 from the USDA at 3%. The loan matures in 2055. The annual payments are \$15,145. On June 30, 2023, the principal balance outstanding was \$308,254. The amount of interest costs incurred during the year ended June 30, 2023, was \$9,419 and was charged as a direct cost to the operations of the water fund. The debt service requirements for this note is as follows:

USDA Loan		
Interest rate	3.00%	
Maturity date	February 1, 2055	
Year Ended June 30,	Principal	Interest
2024	\$ 5,898	\$ 9,247
2025	6,075	9,070
2026	6,257	8,888
2027	6,445	8,700
2028	6,639	8,506
2029-2033	36,310	39,415
2034-2038	42,106	33,619
2039-2043	48,828	26,897
2044-2048	56,625	19,100
2049-2053	65,667	10,058
2054-2055	27,404	1,175
Total	\$ 308,254	\$ 174,675

This outstanding note from direct borrowing related to business-type activities of \$308,254 contains the following significant finance-related provisions:

Security Interest: The District pledges to repay the entire Principal amount of the loan from all of the Net Revenues and all monies on deposit in the Water Enterprise Fund and has pledged said net revenue and monies on deposit as collateral to secure the repayment of the loan.

Debt Service Reserve: The District agrees to provide for the accumulation of the necessary reserves (the "Reserve Fund") to assure that the funds available to make the semiannual payments when due in the event there are not otherwise available sufficient funds to pay for the loan payments. At a minimum, a reserve shall be established within one calendar year from Net Revenues equal to one-tenth of an average loan repayment each year for a period of ten years from the date of the loan agreement. At June 30, 2023, the District has accumulated \$13,634 of this reserve.

Net Revenues: "Net Revenues" means, for any period, an amount equal to all of the gross revenues received during such period minus the amount required to pay all maintenance and operation costs becoming payable during such period. Maintenance and operation costs do not include depreciation and interest payable on this loan.

Short Lived Asset Reserve: The District agrees to provide a depreciation reserve. At June 30, 2023, the District has accumulated \$65,763 of this reserve.

Default: In the event of default, outstanding amounts may become immediately due if the District is unable to make the payment, if there is any material breach in the agreement, or if there is any loss, theft, damage, impairment, seizure, or levy of the collateral given as security.

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SHASTA COMMUNITY SERVICES DISTRICT
Notes to Financial Statements
June 30, 2023

NOTE 4 – LONG-TERM OBLIGATIONS (continued)

(3) Quadient Leasing – Lease Liability

Pursuant to the implementation of GASB Statement No. 87, *Leases*, the District entered into a long-term lease (sixty-three months) effective August 28, 2022 for the right to use a postage meter/folder/sorter machine. The District recorded a lease liability in Business-Type Activities (Water Fund) in the amount of \$34,480. An incremental borrowing rate of 7.5% was used to calculate the present value of the future minimum lease payments to record the liability and the right-to-use asset. The lease term ends November 27, 2027, with no options to renew, except to roll over month-to-month. Quarterly payments of \$1,964.62 are due at the beginning of each period to Quadient Leasing for the District's right to use the equipment. Consistent with equipment lease agreements, security lies solely in the right to repossess the equipment in the event of default. The debt service requirements for this lease liability is as follows:

Lease Liability			
	Interest rate	7.50%	
	Maturity date	November 27, 2027	
Year Ended June 30,	Principal	Interest	
2024	\$ 5,894	\$	1,965
2025	6,348		1,510
2026	6,838		1,021
2027	7,365		493
2028	1,929		36
Total	\$ 28,374	\$	5,025

Other noncurrent liabilities:

Changes in other noncurrent liabilities, excluding net pension liability, reported in the government-wide financial statements for the year ended June 30, 2023, are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Governmental Activities					
Compensated absences	\$ 5,427	\$ -	\$ 975	\$ 4,452	\$ 4,452
Business-Type Activities					
Compensated absences	\$ 18,025	\$ 1,638	\$ -	\$ 19,663	\$ 19,663

NOTE 5 – OPERATING LEASES

The District has an operating lease for the use of two buildings and 2.5 acres in Shasta, California. The lease was renewed on January 1, 2023 for a non-cancellable period of one year, with a month-to-month holdover period thereafter, unless terminated by either party. The new accounting standard, GASB Statement No. 87 *Leases* (GASB 87), does not apply to this lease since it is considered a short-term lease. The District recognized expense in the current year of \$25,200.

The District also has an operating equipment lease for a copy machine. The copier is a month-to-month lease beginning May 2023 and is paid monthly at \$116.21 per month. GASB 87 does not apply to this lease as the lease term is less than one-year. The District incurred rental expense of \$1,421.75 in FY22-23.

NOTE 6 – PENSION PLAN

Plan Description, Benefits Provided, and Employees Covered

The "Plan" is a cost-sharing multiple-employer defined-benefit pension plan administered by CalPERS. The June 30, 2022, GASB 68 actuarial valuation report for the **Miscellaneous Risk Pool** lists a full description of the assumptions for funding purposes, but not accounting purposes, and membership information. The benefits provided from Appendix B of the June 30, 2022, actuarial valuation report for the CalPERS **Miscellaneous Risk Pool** is available on the CalPERS' website under "Forms and Publications."

SHASTA COMMUNITY SERVICES DISTRICT
Notes to Financial Statements
June 30, 2023

NOTE 6 – PENSION PLAN (Continued)

Contribution Description

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that an actuary determine the employer contribution rates for all public employers on an annual basis, and that the rates shall be effective on the July 1 following notice of a change in the rate. The CalPERS' annual actuarial valuation process determines the total plan contributions. For public-agency cost-sharing plans covered by the Plan, the basis of the Plan's actuarially determined rate is the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. PERL requires the employer to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2021 (the measurement date), the basis for the contribution rates is actual contributions made, and not the actuarially determined contribution. The employees and the employer had the following contribution rates, shown as a percentage of the annual payroll:

Contribution Type	Classic	PEPRA
Employee (Charged)	7.00%	6.75%
Employee (Effective)	6.92%	6.75%
Employer	8.65%	7.59%

The charged employee contribution rate is the percentage that plan charges the employees after the first \$400 in earning for Classic plans. The Classic plan charges the first \$400 in earning at two-thirds of the charged rate. The effective contribution rate takes this into consideration.

Employer contribution rates may change if the Plan amends their contracts. It is the responsibility of the employer to make necessary accounting adjustments to reflect the impact due to any employer-paid member contributions, or situations where members pay a portion of the employer contribution.

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, 2023, the contributions recognized as part of pension expense for the Plan were **\$29,505**.

Actuarial Methods and Assumptions Used to Determine Plan Contributions

CalPERS derived the actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2021–2022 from the June 30, 2021 funding valuation report.

Actuarial Cost Method	Entry-Age Normal
Actuarial Assumptions:	
Investment rate of return	6.90%
Inflation	2.30%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table ¹	Derived using CalPERS' Membership Data for all Funds
Post-retirement benefit increase	Contract COLA up to 2.3% until Purchasing Power Protection Allowance Floor on Purchasing Power applies

All other actuarial assumptions used in the June 30, 2022, valuation use the results of 2021 CalPERS Experience Study and Review of Actuarial Assumptions, including updates to salary increases, mortality, and retirement rates, as a basis. Employers should refer to CalPERS' Annual Comprehensive Financial Report for the fiscal year ended June 30, 2022, to obtain the required supplementary information for proper financial reporting.

¹ The mortality table was based on CalPERS-specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP 2020 published by the Society of Actuaries. For more details, please refer to the 2021 experience study report that can be found on the CalPERS website.

SHASTA COMMUNITY SERVICES DISTRICT
Notes to Financial Statements
June 30, 2023

NOTE 6 – PENSION PLAN (Continued)

Long-term Expected Rate of Return

In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and, when combined with risk estimates, are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return.

The expected real rates of return by asset class are as follows:

<i>Asset Class</i>	Assumed Asset Allocation	Real Return Years 1 - 10^{1,2}
Global equity - cap-weighted	30.0%	4.45%
Global equity non-cap-weighted	12.0	3.84
Private Equity	13.0	7.28
Treasury	5.0	0.27
Mortgage-backed Securities	5.0	0.50
Investment Grade Corporates	10.0	1.56
High Yield	5.0	2.27
Emerging Market Debt	5.0	2.48
Private Debt	5.0	3.57
Real assets	15.0	3.21
Leverage	(5.0)	(0.59)

¹ An expected inflation of 2.30% used for this period.

² Figures are based on the 2021-22 Asset Liability Management study.

Discount Rate

The discount rate used to measure the total pension liability for PERF C was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, as actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's 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 the **Plan** as of the measurement date, calculated using the discount rate, 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:

	Discount Rate -1%	Current Discount Rate	Discount Rate +1%
	5.90%	6.90%	7.90%
Plan's Net Pension Liability / (Asset)	\$324,124	\$187,865	\$75,758

Amortization of Deferred Outflows and Deferred Inflows of Resources

Description of the Amortization Methodology

Under GASB 68, agencies recognize actuarial gains and losses related to changes in total pension liability or asset and fiduciary net position in the pension expense systematically over time.

SHASTA COMMUNITY SERVICES DISTRICT
Notes to Financial Statements
June 30, 2023

NOTE 6 – PENSION PLAN (Continued)

Agencies recognize the first amortized amount of a gain or loss in the pension expense for the year the gain or loss occurs. Agencies categorize the remaining amounts as deferred outflows and deferred inflows of resources related to pensions that are to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss:

Difference between projected and actual earnings	Five-year straight-line amortization
All other amounts	Straight-line amortization over the expected average remaining service lifetime (EARSL) of all members provided with pensions (active, inactive and retired), as of the beginning of the measurement period.

The report amortizes the Net Difference between the Projected and Actual Investment Earnings on Pension Plan Investments over a five-year period on a straight-line basis. The report recognizes one-fifth of the total in the Pension Expense during the measurement period and amortizes the remaining Net Difference between Projected and Actual Investment Earnings on Pension Plan Investments at the measurement date over the remaining four-year period. The Net Difference between Projected and Actual Investment Earnings on Pension Plan Investments in the Schedule of Collective Pension Amounts represents the unamortized balance relating to the current measurement period and the prior measurement period on a net basis.

The employer should amortize deferred outflows and deferred inflows of resources relating to Differences between Expected and Actual Experience, Changes of Assumptions, and employer-specific amounts over the EARSL of members provided with pensions through the **Plan**. The EARSL for PERF C for the June 30, 2022, measurement date is 3.7 years.

CalPERS derived the EARSL by dividing the total service years of 574,665 (the sum of remaining service lifetimes of all active employees) by 153,587 (the total number of participants: active, inactive, and retired) in PERF C. Inactive employees and retirees have remaining service lifetimes equal to zero. The basis of total future service is the members' probability of decrementing due to an event other than receiving a cash refund.

The Schedule of Collective Pension Amounts does not reflect employer-specific amounts such as changes in the employer proportion, differences between actual employer contributions and employers' proportionate shares of contributions, and employer contributions to PERF C subsequent to the measurement date, as defined in GASB 68 paragraphs 54, 55, and 57. Appropriate treatment of such amounts is the responsibility of the employers.

CalPERS' website provides CalPERS' Comprehensive Annual Financial Report for the fiscal year ended June 30, 2022, and the CalPERS' GASB 68 Accounting Valuation Reports for the public agency **Miscellaneous Risk Pool**, which provide additional financial and actuarial information required for GASB 68 disclosures.

Allocation of Net Pension Liability and Pension Expense to Individual Plans

A key aspect of GASB 68 pertaining to cost-sharing employers is the establishment of an approach to allocate the net pension liability or asset and pension expense to the individual employers within the risk pool. Paragraph 49 of GASB 68 indicates that for pools with contribution rates within the pool based on separate relationships, the proportional allocation should reflect those relationships. The allocation method utilized by CalPERS determines the employer's share by reflecting these relationships through the plans they sponsor within the risk pool. The valuation uses plan liability and asset-related information where available, and proportional allocations of individual plan amounts as of the valuation date where not available.

SHASTA COMMUNITY SERVICES DISTRICT
Notes to Financial Statements
June 30, 2023

NOTE 6 – PENSION PLAN (Continued)

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

As of June 30, 2023, the District reported net pension liabilities for its proportionate share of the net pension liability for the **Plan** in the amount of \$187,865.

The District's net pension liability for the risk pool is measured as the proportionate share of the risk pool's net pension liability. The net pension liability of the **Plan** is measured as of June 30, 2022, and the total pension liability for the **Plan** used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021 rolled forward to June 30, 2022 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 plan relative to the projected contributions of all participating employers, actuarially determined.

The District's proportionate share of the net pension liability for the **Plan**, and the related change, as of the June 30, 2022 measurement date was as follows:

	Miscellaneous
Proportion - June 30, 2021	0.00247%
Proportion - June 30, 2022	0.00401%
Change - Increase / -Decrease	0.00154%

For the year ended June 30, 2023, the District recognized pension expense of \$72,489. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows	Deferred Inflows
Change in assumptions	\$ 19,251	\$ -
Differences between actual and expected experience	3,773	2,527
Difference between projected and actual earnings on pension plan investments	34,412	-
Differences between the employer's proportionate share of contributions	-	11,003
Change in employer's proportion	33,182	-
Pension contributions made subsequent to the measurement date	34,192	-
Total	\$ 124,810	\$ 13,530

The \$34,192 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, 2024.

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SHASTA COMMUNITY SERVICES DISTRICT
Notes to Financial Statements
June 30, 2023

NOTE 6 – PENSION PLAN (Continued)

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 Ended June 30:	Amount
2023	\$ 24,908
2024	20,568
2025	10,565
2026	21,047
2027	-
Remaining	-
Total	\$ 77,088

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS' financial report (CAFR), available at the CalPERS' website.

Payable to the Pension Plan

The District had no amounts payable to the pension plan at June 30, 2023.

NOTE 7 – INTERFUND BALANCES

Interfund balances primarily relate to the strike team and property tax revenues, as well as workers compensation insurance refunds of the Fire Fund for the prior and current fiscal years through June 30, 2023 that have not been reimbursed from the District's Water Fund. Due to the expected separation of the Fire Fund from the District in order to be a separately recognized District, the balance at June 30, 2023 is expected to be paid to the Fire Fund before June 30, 2024. As of June 30, 2023, the District had the following interfund balances:

	Due from Other Funds	Due to Other Funds	Net Due to/from Other Funds
Governmental Activities			
Fire Safety Fund	\$ 527,942	\$ -	\$ 527,942
Total Governmental Activities	527,942	-	527,942
Business-Type Activities			
Water Fund	-	527,942	(527,942)
Total Business Type Activities	-	527,942	(527,942)
Total Government Wide Statement	\$ 527,942	\$ 527,942	\$ -

NOTE 8 – RISK MANAGEMENT

The District participates in a joint venture under a joint power agreement with the Special District Risk Management Authority Joint Powers Authority (JPA). The relationship between the District and the JPA is such that the JPA is not a component unit of the District for financial reporting purposes. The JPA arranges for and provides property, liability, employee dishonesty, personal liability for board members/directors, and workers' compensation coverage to the District.

SHASTA COMMUNITY SERVICES DISTRICT
Notes to Financial Statements
June 30, 2023

NOTE 8 – RISK MANAGEMENT (Continued)

Each member pays a premium commensurate with the levels of coverage requested and shared surpluses and deficits proportionate to its participation in the JPA. The District's share of the year-end assets, liabilities, or fund equity is not calculated by the JPA. Separately issued financial statements can be requested from the JPA. The District is exposed to various risks, including loss or damage to property, general liability, and injuries to employees. Settled claims resulting from these risks have not exceeded insurance coverage in the past 3 years. No significant reductions in insurance coverage from the prior years have been made.

NOTE 9 – PRIOR PERIOD ADJUSTMENT

During the year-ended June 30, 2023, the District's Water Fund recorded a prior period adjustment in the amount of \$5,000. The reason for the adjustment and the impact to the Fund's net position is shown in the following table.

<u>BUSINESS-TYPE ACTIVITIES</u>	<u>Water Fund</u>
Net Position - July 1, 2022 - as previously reported	\$ 10,818,487
Prior Period Adjustment:	
1. Prior period adjustment for correcting the underpayment of prior years' retirement contributions	(5,000)
Net impact on the Net Position: (Decrease)	(5,000)
Net Position - July 1, 2022 - as restated	\$ 10,813,487
<u>Effect on the Change in Net position</u>	<u>FY 2021-22</u>
Change in Net Position, as previously reported	\$ 125,291
Prior period adjustment	(5,000)
Change in Net Position, as restated	\$ 120,291

NOTE 10 – SUBSEQUENT EVENTS

As of March 28, 2024, the date in which the financial statements were available to be issued and the issuance date, the District's governing board and management have reviewed the financial statements and they are not aware of any events that have occurred subsequent to the balance sheet date and through the date of the independent auditor's report that would require adjustments to or disclosure in the financial statements.

NOTE 11 – IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS

Effective in Future Fiscal Years

Effective for the fiscal year beginning July 1, 2024, the **GASB issued Statement No. 101, *Compensated Absences***. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation.

Effective for the fiscal year beginning July 1, 2024, the **GASB issued Statement No. 102, *Certain Risk Disclosures***. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely to begin to occur within 12 months of the date the financial statements are issued.

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

SHASTA COMMUNITY SERVICES DISTRICT
Budgetary Comparison Schedule
Fire Safety Fund
For The Year Ended June 30, 2023

	Original Budget	Final Budget	Actual Amounts	Favorable (Unfavorable) Variance With Final Budget
REVENUES				
County taxes	\$ 265,000	\$ 300,000	\$ 301,000	\$ 1,000
Strike team revenue	2,000	2,000	42,884	40,884
Use of money and property	20	20	10	(10)
Other	-	-	1,906	1,906
Total Revenues	267,020	302,020	345,800	43,780
EXPENDITURES				
Current:				
Personnel	141,980	101,000	74,599	26,401
Repairs and maintenance	55,500	56,500	1,076	55,424
Training, per diem and other	17,800	52,800	40,418	12,382
Services and supplies	15,000	15,000	5,943	9,057
Insurance	19,000	19,000	11,337	7,663
Fuel	5,300	5,800	4,098	1,702
General and administrative	13,600	15,156	12,906	2,250
Capital outlay	-	-	26,790	(26,790)
Total Expenditures	268,180	265,256	177,167	88,089
Change in Fund Balance	(1,160)	36,764	168,633	131,869

SHASTA COMMUNITY SERVICES DISTRICT
 Cost-Sharing Multiple-Employer Defined Benefit Pension Plan
 June 30, 2023
 Last 10 Years

SCHEDULE OF THE DISTRICT'S
 PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND RELATED RATIOS AS OF THE MEASUREMENT DATE IN RELATION TO PERF C

Miscellaneous Plan	Measurement Year Ending June 30:									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	
Plan's proportion of the net pension liability	0.00066%	0.00013%	0.00080%	0.00098%	0.00108%	0.00117%	0.00130%	0.00087%	0.00163%	
Plan's proportionate share of the net pension liability	\$ 40,783	\$ 8,828	\$ 68,851	\$ 96,775	\$ 103,676	\$ 120,258	\$ 141,296	\$ 46,846	\$ 187,865	
Plan's covered-employee payroll	\$ 151,373	\$ 210,113	\$ 222,372	\$ 147,492	\$ 235,405	\$ 243,390	\$ 269,736	\$ 284,433	\$ 230,796	
Plan's proportionate share of the net pension liability as percentage of its covered-employee payroll	26.94%	4.20%	30.96%	65.61%	44.04%	49.41%	52.38%	16.47%	81.40%	
Plan's proportionate share of the fiduciary net position as a percentage of the plan's total pension liability	4.86%	1.00%	7.35%	9.17%	15.74%	84.04%	83.40%	94.63%	81.21%	
Plan's proportionate share of the aggregate employer contributions	\$ 21,603	\$ 30,126	\$ 32,339	\$ 36,274	\$ 21,144	\$ 26,241	\$ 31,728	\$ 32,472	\$ 42,104	

GASB 68 requires historical information only for the measurement periods for which GASB 68 is applicable.

The plan's proportionate share of aggregate contributions may not match the actual contributions made by the employer during the measurement period. The plan's proportionate share of aggregate contributions uses the plan's proportion of fiduciary net position multiplied by the total employer contribution amount as its basis, as well as any additional side fund (or unfunded liability) contributions made by the employer during the measurement period. GASB 68 does not require that we display this data for employers participating in cost-sharing plans, but it we show it here because we use it in the calculation of the Plan's pension expense.

SHASTA COMMUNITY SERVICES DISTRICT
 Cost-Sharing Multiple-Employer Defined Benefit Pension Plan
 June 30, 2023
 Last 10 Years

SCHEDULE OF PLAN CONTRIBUTIONS

	Measurement Year Ending June 30:									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	
Miscellaneous Plan										
Actuarially determined contribution	\$ 11,473	\$ 13,950	\$ 16,576	\$ 13,008	\$ 18,230	\$ 19,993	\$ 25,251	\$ 31,503	\$ 29,505	
Contributions in relation to the actuarially determined contribution	11,473	13,950	16,577	13,008	18,232	19,993	25,251	31,503	29,505	
Contribution deficiency (excess)	\$ -	\$ -	\$ (1)	\$ -	\$ (2)	\$ -	\$ -	\$ -	\$ -	
Covered employee payroll	\$ 194,417	\$ 210,113	\$ 222,372	\$ 147,492	\$ 235,405	\$ 224,538	\$ 269,736	\$ 284,433	\$ 230,796	
Contributions as a percentage of covered-employee payroll	5.90%	6.64%	7.45%	8.82%	7.74%	8.90%	9.36%	11.08%	12.78%	

GASB 68 requires historical information only for the measurement periods for which GASB 68 is applicable.

GASB 68 assumes that employers contribute an amount equal to the actuarially determined contribution. However, some employers may choose to make additional contributions towards their side fund or their unfunded liability. Employer contributions for such plans exceed the actuarially determined contribution. CalPERS determined that employer obligations referred to as "side funds" do not conform to the circumstances described in the paragraph 120 of GASB 68, therefore CalPERS does not consider them separately financed specific liabilities.

OTHER REPORTS

**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***

To the Board of Directors and General Manager
Shasta Community Services District

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of Shasta Community Services District, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued my report thereon dated March 28, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Shasta Community Services District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Shasta Community Services District's internal control. Accordingly, I do not express an opinion on the effectiveness of the Shasta Community Services 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.

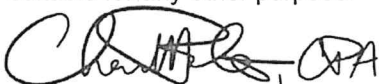
My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, I 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Charles W. Pillon, CPA
Anderson, CA

March 28, 2024

**SHASTA COMMUNITY SERVICES DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023**

Current Year Findings – Financial Statement Audit

NONE

Prior Year Findings – Financial Statement Audit

NONE

SHASTA COMMUNITY SERVICES DISTRICT SURPLUS DISPOSAL POLICY

The purpose of this policy is to standardize the procedures for the disposal of surplus equipment, vehicles, and salvage items of the Shasta Community Services District (SCSD) and to set forth the duties and responsibilities of the General Manager, Board of Directors (Directors) and District Staff.

The General Manager shall determine if an item is to be declared “surplus” following the procedures listed below:

1. “Surplus” shall be defined as : any piece of equipment, vehicle or other item owned by the District that is no longer required, or has been replaced by a newer, updated unit, and has been so designated by the General Manager.
2. It is the intent of the District to sell surplus items to garner the greatest monetary value possible using a minimum bid on a case-by-case basis.
3. All items estimated by the General Manger to have a value of more than \$500.00 shall be sold via GovDeals.com after having been advertised in the monthly water bill, posted on the District’s website shastacsd.org, posted on the district’s office bulletin board and at least one other community location for a period of at least ten business days after the water bills are mailed. The closing date for bids, the awarding date and time of the sale, the sale location, the inspection period and the item number and description will be included in the notice.
4. If the surplus item up for bid fails to generate any bids after the close of the bidding period, the General Manager shall dispose of it in any legal manner such as selling it as scrap or donating to a non-profit organization upon approval by the Board of Directors.
5. The highest bidder will be declared the winner and will need to follow the full terms and conditions of GovDeals.com (see exhibit A)
6. Any surplus item valued at under \$500.00 shall be disposed of in the manner outlined in #3 through #5 above and, at the General Manager's discretion; he may directly utilize item #4.

Passed and adopted by the Shasta Community Services District at a regular meeting thereof held on April 16th, 2024, by the following vote:

AYES:

NOES:

ABSTAINS:

ABSENT:

ATTEST:

Board President
Valerie Coon

Secretary to the Board
Shawna Staup

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Revised April 16, 2024

GovDeals.com

Government Auction
website.

Client Name

City, State

Online Sales - Terms and Conditions

All bidders and other participants of this service agree they have read and fully understand these terms and agree to be bound thereby.

Guaranty Waiver. All assets are offered for sale "AS IS, WHERE IS." Client Name (Seller) makes no warranty, guaranty or representation of any kind, expressed or implied, as to the merchantability or fitness for any purpose of the property offered for sale. The Buyer is not entitled to any payment for loss of profit or any other money damages – special, direct, indirect or consequential.

Description Warranty. Seller warrants to the Buyer the property offered for sale will conform to its description. Any claim for misdescription must be made prior to removal of the property. If Seller confirms the property does not conform to the description, Seller will keep the property and refund any money paid. The liability of the Seller shall not exceed the actual purchase price of the property. Please note upon removal of the property, all sales are final.

Personal and Property Risk. Persons attending during exhibition, sale, or removal of goods assume all risks of damage of or loss to person and property and specifically release the Seller and GovDeals from liability therefore.

Consideration of Bid. Seller reserves the right to reject any and all bids and to withdraw from sale any of the assets listed at any time until the Seller has received payment in full for the assets and Buyer has removed the assets from the Seller's premises in their entirety.

Buyer's Certificate. If applicable, successful bidders will receive a Buyer's Certificate by email from GovDeals as their notice of award.

Buyer's Premium & Additional Fees. If a Buyer's Premium and/or Additional Fees are shown on the auction page Bid Box, then that amount (expressed as a percentage of the final selling price or a specified amount) will be added to the final selling price of all items in addition to any taxes imposed.

Payment. Payment in full is due not later than **5 business days** from the time and date of the close of the auction. Please refer to the payment instructions listed on the auction page for complete payment terms and methods. Please refer to the Bid Box for all fees and taxes that may be associated with the auction.

State/Local Sales and/or Use Tax. Buyers are subject to State and/or local sales and/or use tax unless they provide a proper exemption certificate. Please review the Payment Instructions for all information related to Sales Tax and Tax Exemptions.

Removal. All assets must be removed within **ten (10) business days** from the time and date of the close of the auction. Purchases will be released only upon receipt of payment as specified. Successful buyers are responsible for loading and removal of any and all property awarded to them from the place where the property is located as indicated on the website and in the Buyer's Certificate. The Buyer will make all arrangements and perform all work necessary, including packing, loading and transportation of the property. Under no circumstances will Seller assume responsibility for packing, loading or shipping. See instructions

on each auction page for complete removal details. A daily storage fee of \$25.00 may be charged for any item not removed within the ten (10) business days allowed and stated on the Buyer's Certificate.

Vehicle Titles. Seller will issue a title or certificate upon removal of the vehicle. Titles may be subject to restrictions as indicated in the asset description on the website.

Approval. Some Auctions/Sales are subject to Seller approval prior to award to the high bidder. Please review the auction/sale page for full terms of the sale and whether the final bid/sale is subject to approval.

Default. Default shall include (1) failure to observe these terms and conditions; (2) failure to make good and timely payment; or (3) failure to remove all assets within the specified time. Default may result in termination of the contract and suspension from participation in all future sales until the default has been cured. If the Buyer fails in the performance of their obligations, Seller may exercise such rights and may pursue such remedies as are provided by law. Seller reserves the right to reclaim and resell all items not removed by the specified removal date.

Acceptance of Terms and Conditions. By submitting a bid, the bidder agrees they have read, fully understand and accept these Terms and Conditions, and agree to pay for and remove the property, by the dates and times specified. These Terms and Conditions are available for review in the bid box at the top of each page of each asset listed on GovDeals. Specific Instructions (Payment, Removal, and Special) appearing on the asset page will override certain sections of these Terms and Conditions.

Sales to Employees. Employees of the Seller may bid on the property listed for auction, so long as they do NOT bid while on duty.