LAKE SHASTINA COMMUNITY SERVICES DISTRICT

FINANCIAL STATEMENTS

JUNE 30, 2022

LAKE SHASTINA COMMUNITY SERVICES DISTRICT

Table of Contents

LARRY BAIN, CPA
AN ACCOUNTING CORPORATION

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INDEPENDENT AUDITOR'S REPORT

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

Qualified Opinion

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information which comprise the basic financial statements of Lake Shastina Community Services District as of and for the fiscal year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, except for the effect of the matter discussed in the basis for qualified 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 and fund information of the Lake Shastina Community Services District as of and for the fiscal year ended June 30, 2022, and the 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 Qualified Opinion

During the fiscal year under audit the District received from Cal Fire/OES over $57 per hour for strike team firefighters and $62 per hour for strike team captains. The district paid strike team firefighters $35 per hour and strike team captains $38 per hour. The difference in pay was intended to be used to pay firefighters to backfill pre-scheduled station shifts for strike team members who were away on the emergency response. The District was unable to provide support for the amount paid to firefighters to backfill the strike team member shifts resulting in a scope limitation. The result of this scope limitation is a potential understatement of payroll liabilities and an understatement of payroll expense of approximately $251,805. The liability and expenditure have not been recorded in these financial statements, and therefore we do not give an opinion on strike team payroll.

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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 Lake Shastina Community Services District's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it 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, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Lake Shastina Community Services District's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Lake Shastina Community Services District's ability to continue as a going concern for a reasonable period of time.

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

Other Matters

Required Supplementary Information

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 27-29 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 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 (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

Larry Bain, CPA,
An Accounting Corporation
June 7, 2023

LAKE SHASTINA COMMUNITY SERVICES DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2022

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and investments	$ 1,477,347	$ 968,078	$ 2,445,425
Receivables			
General receivables	94,156	87,579	181,735
Unbilled service receivables	56,584	263,045	319,629
Delinquent accounts-tax roll	236,359	124,201	360,560
Grant receivable	18,021	43,140	61,162
Interest receivable	1,551	1,101	2,652
Due from others	26,974		26,974
Prepaid expense	121,591	80,420	202,011
Inventory		52,578	52,578
Lease receivable	69,895		69,895
Total current assets	2,102,478	1,620,142	3,722,621
Noncurrent Assets			
Intergovernmental advance	(222,759)	222,759	-
Asset held for investment	389,263		389,263
Lease receivable	163,861		163,861
Capital assets:			
Nondepreciable capital assets			
Land	37,506	31,433	68,939
Construction in progess	355,846	129,575	485,421
Depreciable capital assets			
Infrastructure		9,288,644	9,288,644
Land improvements		21,318	21,318
Structures and improvements	436,642	289,889	726,531
Equipment and vehicles	1,080,850	749,665	1,830,515
Less accumulated depreciation	(1,116,125)	(6,844,892)	(7,961,018)
Total capital assets (net of accumulated depreciation)	794,719	3,665,632	4,460,351
Total noncurrent assets	1,125,084	3,888,391	5,013,475
Total assets	3,227,563	5,508,533	8,736,095
Deferred Outflows of Resources			
Deferred outflows-pension	122,094	128,456	250,550
Liabilities			
Current liabilities:			
Accounts payable and accrued expense	26,766	33,625	60,391
Accrued payroll	17,902	6,912	24,814
Compensated absences-current	20,469	31,860	52,329
Total current liabilities	65,137	72,397	137,535
Noncurrent Liabilities			
Net pension liability (asset)	(38,199)	119,531	81,332
Compensated absences	30,703	41,895	72,598
Total noncurrent liabilities	(7,496)	161,426	153,930
Total liabilities	57,642	233,824	291,465
Deferred Inflows of Resources			
Deferred inflows-leases	233,756		233,756
Deferred inflows-pension	227,042	397,537	624,579
Total deferred inflows of resources	460,798	397,537	858,335
Net Position			
Net investment in capital assets	794,719	3,665,632	4,460,351
Unrestricted	2,036,498	1,339,996	3,376,494
Total net position	$ 2,831,217	$ 5,005,628	$ 7,836,845

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

LAKE SHASTINA COMMUNITY SERVICES DISTRICT

STATEMENT OF ACTIVITIES
JUNE 30, 2022

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
Functions/programs	Expenses	Charges for Services	Capital Grants and Contributions	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
General	$ (86,557)	$ -	$ -	$ -	$ 86,557	$ -	$ 86,557
Public safety	1,602,544	707,169	5,381	1,559,836	669,842		669,842
Interest	699				(699)		(699)
Total governmental activities	1,516,686	707,169	5,381	1,559,836	755,700		755,700
Business-type Activities:							
Water	683,825	480,939		60,477		(142,409)	(142,409)
Sewer	632,168	818,014		403		186,249	186,249
Total business-type activities	1,315,993	1,298,953		60,880		43,840	43,840
Total	$2,832,679	$ 2,006,122	$ 5,381	$ 1,620,716	755,700	43,840	799,540
General Revenues:							
Rental income					77,393		77,393
Other					41,594		41,594
Sale of assets					10,500		10,500
Investment income					10,539	3,523	14,062
Total general revenues					140,026	3,523	143,549
Change in net position					895,726	47,363	943,089
Net position - beginning					1,935,491	4,958,265	6,893,756
Net position - ending					$ 2,831,217	$ 5,005,628	$ 7,836,845

LAKE SHASTINA COMMUNITY SERVICES DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2022

	General Fund	Major Special Revenue Funds: Police	Major Special Revenue Funds: Fire	Major Special Revenue Funds: Cops Grant	Total Governmental Funds
Assets					
Cash and investments	$ 179,658	$ 375,881	$ 921,808	$ -	$ 1,477,347
Receivables					
Accounts	7,515	21,772	64,762	107	94,156
Assessements		56,584			56,584
Delinquent accounts-tax roll		173,813	62,546		236,359
Grants			18,021		18,021
Interest	53	464	1,034		1,551
Due from other fund		118,469			118,469
Prepaid expense	40,137	36,148	41,206	4,100	121,591
Due from others	18,454		8,520		26,974
Total assets	$ 245,817	$ 783,131	$ 1,117,897	$ 4,207	$ 2,151,052
Liabilities					
Accounts payable	$ 10,171	$ 4,637	$ 11,958	$ -	$ 26,766
Accrued payroll	2,811	3,353	10,867	871	17,902
Due to other funds				118,469	118,469
Advance from other fund	222,759				222,759
Total liabilities	235,741	7,990	22,825	119,340	385,896
Fund balances					
Nonspendable					
Prepaid expense	40,137	36,148	41,206	4,100	121,591
Assigned for police		738,993			738,993
Assigned for fire			1,053,866		1,053,866
Unassigned	(30,061)			(119,233)	(149,294)
Total fund balances	10,076	775,141	1,095,072	(115,133)	1,765,156
Total liabilities and fund balances	$ 245,817	$ 783,131	$ 1,117,897	$ 4,207	$ 2,151,052

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, 2022

Fund balances of governmental funds	$ 1,765,156
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.	794,719
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	
Compensated absences	(51,172)
Net pension liability, deferred inflows/outflows	(66,748)
Net position of governmental activities	$ 2,831,218

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

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	General Fund	Major Special Revenue Funds: Police	Major Special Revenue Funds: Fire	Major Special Revenue Funds: Cops Grant	Total Governmental Funds
Revenues					
Assessments	$ -	$ 420,629	$ 269,062	$ -	$ 689,691
Intergovernmental revenues		272	1,413,982	161,285	1,575,539
Use of money and property	85,564	1,195	1,173		87,932
Licenses and permits		3,420			3,420
Donations			5,381		5,381
Other	13,577	16,926	25,149		55,652
Total revenues	99,141	442,442	1,714,747	161,285	2,417,615
Expenditures					
Current:					
General administration	37,493				37,493
Public protection-police		383,837		159,463	543,300
Public protection-fire			996,028		996,028
Interest expense	699				699
Capital outlay		92,280	313,929		406,209
Total expenditures	38,192	476,117	1,309,957	159,463	1,983,729
Total revenues over (under) expenditures before other financing sources (uses)	60,949	(33,675)	404,790	1,822	433,886
Other Financing Sources (Uses)					
Sale of assets		500	10,000		10,500
Total other financing sources (uses)		500	10,000		10,500
Net change in fund balance	60,949	(33,175)	414,790	1,822	444,386
Fund balances, beginning of fiscal year	(50,873)	808,316	680,282	(116,955)	1,320,770
Fund balances, end of fiscal year	$ 10,076	$ 775,141	$ 1,095,072	$ (115,133)	$ 1,765,156

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

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, 2022

Net change in fund balances - total governmental funds	$ 444,386
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	406,209
Depreciation expense	(68,344)
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.	135,804
Deferred revenue reported in the statement of activities do not provide current financial resources and, therefore, are not reported in governmental funds.	(15,703)
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.	(6,626)
Change in net position of governmental activities	$ 895,726

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

LAKE SHASTINA COMMUNITY SERVICES DISTRICT

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	Water	Sewer	Totals
Current Assets: `			
Cash and investments	$ 409,026	$ 559,052	$ 968,078
General receivables	45,328	42,251	87,579
Unbilled services receivable	89,422	173,623	263,045
Delinquent accounts-tax roll	76,812	47,389	124,201
Grants receivable	43,140		43,140
Interest receivable	752	349	1,101
Prepaid expense	43,898	36,522	80,420
Inventory	46,939	5,639	52,578
Total current assets	755,317	864,825	1,620,142
Noncurrent Assets			
Advances to other funds	222,759		222,759
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	435,187	314,478	749,665
Less accumulated depreciation	(2,376,319)	(4,468,573)	(6,844,892)
Total capital assets (net of accumulated depreciation)	910,496	2,755,136	3,665,632
Total noncurrent assets	1,133,255	2,755,136	3,888,391
Total assets	1,888,572	3,619,961	5,508,533
Deferred Outflows of Resources			
Deferred outflows from pensions	53,691	74,765	128,456
Liabilities			
Current Liabilities:			
Accounts payable and accrued expense	28,413	5,212	33,625
Accrued payroll	3,456	3,456	6,912
Compensated absences-current	15,930	15,930	31,860
Total current liabilities	47,799	24,598	72,397
Noncurrent Liabilities			
Compensated absences-noncurrent	23,117	18,778	41,895
Net pension liability	7,655	111,876	119,531
Total noncurrent liabilities	30,772	130,654	161,426
Total liabilities	78,571	155,252	233,823
Deferred Inflows of Resources			
Deferred inflows from pensions	202,302	195,235	397,537
Net Position:			
Net investment in capital assets	910,496	2,755,136	3,665,632
Unrestricted	750,893	589,103	1,339,996
Total net position	$ 1,661,389	$ 3,344,239	$ 5,005,628

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, 2022

	Water	Sewer	Totals
Operating Revenues			
Charges for services	$ 469,099	$ 772,280	$ 1,241,379
Late payment penalties and other	9,500	9,491	18,991
Total operating revenues	478,599	781,771	1,260,370
Operating Expenses			
Salary and benefits	215,882	256,911	472,793
Services and supplies	286,188	146,657	432,845
Depreciation expense	181,755	228,600	410,355
Total operating expenses	683,825	632,168	1,315,993
Operating income (loss)	(205,226)	149,603	(55,623)
Non-operating Revenue (Expense)			
Connection fees	2,340	36,243	38,583
Interest revenue	2,623	900	3,523
Grant revenue	60,477	403	60,880
Interest expense		-	-
Total non-operating revenue (expense)	65,440	37,546	102,986
Change in net position	(139,786)	187,149	47,363
Net position, beginning of fiscal year	1,801,175	3,157,090	4,958,265
Net position, end of fiscal year	$ 1,661,389	$ 3,344,239	$ 5,005,628

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

LAKE SHASTINA COMMUNITY SERVICES DISTRICT

STATEMENT OF CASH FLOWS
PROPIETARY FUNDS
JUNE 30, 2022

	Water	Sewer	Totals
Cash Flows from Operating Activities			
Cash received from customers	$ 477,929	$ 770,219	$ 1,248,148
Cash payments to suppliers	(313,463)	(165,774)	(479,237)
Cash payments to employees	(322,815)	(351,742)	(674,557)
Net cash provided (used) by operating activities	(158,349)	252,703	94,354
Cash Flows from Non-Capital Financing Activities			
Payment for interfund advances	43,301		43,301
Net cash provided (used) by noncapital financing activities	43,301		43,301
Cash Flows from Capital and Related Financing Activities			
Purchases of capital assets	(86,224)	(86,224)	(172,448)
Cash received from grants	92,812	1,223	94,035
Principal paid on debt			-
Interest paid on debt		-	-
Connection fees	2,340	36,243	38,583
Net cash provided (used) by capital and related financing activities	8,928	(48,758)	(39,830)
Cash Flows from Investing Activities:			
Interest received on investments	2,362	825	3,187
Net increase (decrease) in cash and cash equivalents	(103,758)	204,770	101,012
Cash and cash equivalents, beginning of fiscal year	512,784	354,282	867,066
Cash and cash equivalents, end of fiscal year	$ 409,026	$ 559,052	$ 968,078
Reconciliation of Cash and Cash Equivalents:			
Cash and investments	$ 409,026	$ 559,052	$ 968,078
Reconciliation of operating income to net cash flows from operating activities:			
Operating income	$ (205,226)	$ 149,603	$ (55,623)
Noncash items included in operating loss:			
Depreciation	181,755	228,600	410,355
Changes in:			
General receivables	1,193	5,244	6,437
Unbilled service receivables	3,879	(13,164)	(9,285)
Tax roll receivables	(5,743)	(3,632)	(9,375)
Prepaids	(15,326)	(9,603)	(24,929)
Accounts payables	(11,948)	(9,515)	(21,463)
Accrued payroll and benefits	(5,193)	(4,397)	(9,590)
Compensated absences	4,522	4,019	8,541
GASB 68 pension adjustments	(106,262)	(94,452)	(200,714)
Net cash provided (used) by operating activities	$ (158,349)	$ 252,703	$ 94,354

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

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.

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.

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:

Assets	Useful Life
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.

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, 2022, 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.

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.

O. Implementation of New GASB Pronouncements:

GASB Statement No. 87

In June 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 87, *Leases* (GASB Statement No. 87), to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It also establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Implementation of this Statement had a significant effect on the District's financial statements for the year ended June 30, 2022.

A. Lessor

The District acts as the lessor for real property used for health care and medical related services and for a cell tower lease. The District recognizes leases receivable and deferred inflows of resources in the financial statements. Variable payments based on future performance of the lessee or usage of the underlying asset are not included in the measurement of the lease receivable.

At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflows of resources are initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflows of resources are recognized as revenue over the life of the lease term in a systematic and rational method.

Key estimates and judgments include how the District determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

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, 2022, consisted of the following:

Cash on hand	$	311
Deposit accounts		412,701
Investments (LAIF)		2,032,413
Total cash and investments	$	2,445,425

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.

Authorized Investment Type	Maximum Maturity	Percentage of Portfolio	Investment in One Issuer
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:

			Remaining Maturity (in Months)	
Investment Type		Totals	12 Months or Less	13-48 Months
Local Agency Investment Fund	$	2,032,413	$ 2,032,413	$ -
Totals	$	2,032,413	$ 2,032,413	$ -

*Not subject to categorization

Note 2: Cash and Investments (Continued)
A. Investments Authorized by the California Government Code and the Entity's Investment Policy (Continued)

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, 2022, 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.

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 $231.57 billion. Of the $231.57 billion managed by the State Treasurer, 100% is invested in non-derivative financial products and 1.88% 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, 2022 was as follows:

Governmental Activities	Balance July 1, 2021	Additions	Retirements/ Adjustments	Balance June 30, 2022
Capital assets, not being depreciated:				
Land	$ 37,506	$ -	$ -	$ 37,506
Construction in progress	41,917	313,929		355,846
Capital assets, being depreciated:				
Structures and improvements	426,089	10,553		436,642
General equipment	588,587	20,758		609,345
Vehicles and rolling stock	617,181	71,697	(217,373)	471,505
Total capital assets, being depreciated	1,631,857	103,008	(217,373)	1,517,492
Less accumulated depreciation:	(1,254,427)	(68,343)	206,645	(1,116,125)
Governmental activities capital assets, net	$ 456,853	$ 348,594	$ (10,728)	$ 794,719
Business-Type Activities				
Capital assets, not being depreciated:				
Land	$ 31,433	$ -	$ -	$ 31,433
Construction in progress	129,575			129,575
Capital assets, being depreciated:				
Infrastructure	9,288,644			9,288,644
Land improvements	21,318			21,318
Structures and improvements	289,889			289,889
Vehicles and rolling stock	577,215	172,450		749,665
Total capital assets, being depreciated	10,177,066	172,450		10,349,516
Less accumulated depreciation:	(6,434,537)	(410,355)		(6,844,892)
Total capital assets, being depreciated, net	3,742,529	(237,905)		3,504,624
Business- type activities capital assets, net	$ 3,903,537	$ (237,905)	$ -	$ 3,665,632

Note 5: Leases Receivable

The District derives a portion of its revenue from the rental of real property based on a fixed lease amount to an organization providing health care and medical related services and for District land used for a cellular tower. Two leases are treated as finance leases for accounting purposes under Governmental Accounting Board Statement No. 87. The initial lease terms have an assumed start date of July 1, 2021 for periods between three and one half and seven and one half remaining years, and can be terminated by the lessee at any time and without cause by giving the District written notice of termination. Early termination is not expected. The rents ranged from $1,240 to $5,022 per month and the cell tower lease increases by 3% annually.

Lease receivables consist of an agreement with the health care and medical service provider and the cell tower operator for their right-to-use of a portion of facilities owned by the District. The calculated interest rate used is based on an assumed 3% borrowing rate. For the fiscal year ended June 30, 2022, the District recognized $77,393 in lease revenue and $7,925 in interest revenue related to these leases.

Note 5: Leases Receivable (Continued)

A summary of changes in lease receivable for the fiscal year ended June 30, 2022 is as follows:

	Balance 7/1/2021	Additions	Retirements/ Adjustments	Balance 6/30/2022	Due within One Year	Due in More Than One Year
Lease receivable	$ -	$ 311,149	$ (77,393)	$ 233,756	$ 69,895	$ 163,861

Lease receivable are due in the upcoming years as follows:

Year Ending June 30,	Principal	Interest	Total
2023	$ 69,895	$ 5,653	$ 75,548
2024	72,114	3,757	75,871
2025	46,818	1,968	48,786
2026	18,191	1,022	19,213
2027	17,411	535	17,946
2028	9,327	142	9,469
Total	$ 233,756	$ 13,077	$ 246,833

Note 6: 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, 2022:

	Balance July 1, 2021	Additions	Adjustments/ Retirements	Balance June 30, 2022	Due Within One Year
Compensated absences	$ 44,545	$ 56,661	$ (50,034)	$ 51,172	$ 20,469
Net pension liability (asset)	276,737		(314,936)	(38,199)	
Total	$ 321,282	$ 56,661	$ (364,970)	$ 12,973	$ 20,469

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, 2022:

	Balance July 1, 2020	Additions	Adjustments/ Retirements	Balance June 30, 2021	Due Within One Year
Compensated absences	$ 65,213	$ 46,309	$ (37,767)	$ 73,755	$ 29,502
Net pension liability	720,852		(601,321)	119,531	
Total	$ 786,065	$ 46,309	$ (639,088)	$ 193,286	$ 29,502

Note 7: 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, 2022, are summarized as follows:

	Miscellaneous		**Safety Police**	
Hire date	Prior to January 1, 2013	On or after January 1, 2013	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.0% @ 55	2.0% @ 62	2.7% @ 57	2.7% @ 57
Benefit vesting s chedule	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%	13.00%
Required employer contribution rates	10.34%	7.59%	12.12%	13.13%

	Safety Fire	
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.0% @ 55	2.0% @ 62
Benefit vesting s chedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50-57	52-67
Monthly benefits , as a % of compensation	1.5% to 2.0%	1.0% to 2.0%
Required employee contribution rates	NA	12.50%
Required employer contribution rates	NA	12.47%

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.

Note 7: Defined Benefit Pension Cost-Sharing Employer Plan (Continued)

For the year ended June 30, 2022, the contributions recognized as part of pension expense for each Plan were as follows:

Contributions-employer miscellaneous classic	$	113,719
Contributions-employer miscellaneous-PEPRA		18,630
Contributions-employer PD safety classic		10,661
Contributions-employer PD safety PEPRA		11,784
Contributions-employer Fire safety PEPRA		12,615

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

As of June 30, 2022, 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 (Asset)	
Miscellanous Plan	$	112,578
Safety Plan	$	(31,245)

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, 2021 and 2022 reporting dates were as follows:

	Miscellaneous	Safety
Proportion - June 30, 2021	0.02363%	0.00001075%
Proportion - June 30, 2022	0.00593%	0.00089000%
Change - Increase (Decrease)	-0.01770%	0.00087925%

For the year ended June 30, 2022, the District recognized pension expense of -$65,066. At June 30, 2022, 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	$	12,624	$	(5,338)
Changes of assumptions				
Net difference between projected and actual earnings		18,597		(98,275)
Changes in proportion				(520,965)
Changes in proportionate share of contributions		52,017		
District contributions subsequent to the measurement date		167,309		
Total	$	250,547	$	(624,578)

$167,309 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, 2023.

Note 7: Defined Benefit Pension Cost-Sharing Employer 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 Year Ended June 30:		
2023	$	185,389
2024		181,797
2025		152,113
2026		22,041

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

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
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.

Note 7: 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.

Asset Class	New Strategic Allocation	Real Return Years 1-10 (1)	Real Return Years 11+ (2)
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:

	Discount Rate -1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate +1% (8.15%)
Miscellaneous	$ 268,861	$ 112,578	$ (16,618)
Safety	$ 62,635	$ (31,245)	$ 2,948

Note 8: 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.

Note 9: 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 10: 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, and services and supply reimbursed by LSPOA to the District during the 2021/22 fiscal year was $114,832. Furthermore the LSPOA general manager is a Board Member of Lake Shastina Community Services District, and the Lake Shastina Community Services District general manager is a Board Member of the LSPOA.

Note 11: Stewardship, Compliance and Accountability

A. Deficit Fund Balances

At June 30, 2022, the Cops Fund had a negative fund balance of $115,133. The deficit balance is expected to be corrected upon reimbursements from other funds, or from future revenue over expenditures.

B. Budget Variances

The fire fund operating expenses were $180,853 over the legally adopted budget.

Note 12: 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.

Note 13: 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.

Note 13: Commitments and Contingencies (Continued)

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, 2022 including $246,086 remaining on an engineering contract for the water planning study which is expected to be reimbursed with a SWRCB grant.

At June 30, 2022 the District had a $20,000 credit limit on a Visa credit card.

Note 14: Subsequent Event

Subsequent to fiscal year end the District purchased of a fire utility truck for $57,717. The District also purchased a dump truck for $118,577 that was split between the water and sewer funds.

Subsequent events were evaluated through June 7, 2023, the date these financial statements were available for distribution.

LAKE SHASTINA COMMUNITY SERVICES DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
June 30, 2022

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Interest	$ 1,050	$ 1,050	$ 245	$ (805)
Rental income	84,504	85,464	85,319	(145)
Other revenues and reimbursements	9,550	9,720	13,577	3,857
Total revenues	95,104	96,234	99,142	2,908
Expenditures				
General administration	55,104	58,734	37,493	21,241
Principal expense	36,500	36,500		36,500
Interest expense	3,500	1,000	699	301
Capital outlay	44,000	44,000	-	44,000
Total expenditures	139,104	140,234	38,192	102,042
Net change in fund balance	$ (44,000)	$ (44,000)	60,949	$ 104,949
Fund balances, beginning of fiscal year			(50,873)	
Fund balances, end of fiscal year			$ 10,076	

LAKE SHASTINA COMMUNITY SERVICES DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
POLICE FUND
June 30, 2022

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Assessments	$ 418,550	$ 418,550	$ 420,629	$ 2,079
Intergovernmental		272	272	-
Use of money and property	3,000	3,000	1,195	(1,805)
License and permits	4,800	4,800	3,420	(1,380)
Other revenues and reimbursements	16,610	17,239	16,926	(313)
Total revenues	442,960	443,861	442,442	(1,419)
Expenditures				
Public protection-police	407,575	408,476	383,837	24,639
Capital outlay	89,000	89,000	92,280	(3,280)
Total expenditures	496,575	497,476	476,118	21,359
Total revenues over (under) expenditures before other financing sources (uses)	(53,615)	(53,615)	(33,675)	19,940
Other Financing Sources (Uses)				
Sale of assets	3,000	3,000	500	(2,500)
Total other financing sources (uses)			500	500
Net change in fund balance	$ (53,615)	$ (53,615)	(33,175)	$ 20,440
Fund balances, beginning of fiscal year			808,316	
Fund balances, end of fiscal year			$ 775,141	

LAKE SHASTINA COMMUNITY SERVICES DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
FIRE FUND
June 30, 2022

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Assessments	$ 273,510	$ 273,510	$ 269,062	$ (4,448)
Intergovernmental revenues	612,355	612,355	1,413,982	801,627
Use of money and property	1,200	1,200	1,173	(27)
Fines forfeitures and penalties	2,000	4,000		(4,000)
Charges for services				-
Donations	5,000	5,650	5,381	(269)
Other revenues and reimbursements	30,757	30,772	25,149	(5,623)
Totarevenues	924,822	927,487	1,714,747	787,260
Expenditures				
Public protection-fire	726,400	729,104	996,028	(266,924)
Capital outlay	400,000	400,000	313,929	86,071
Total expenditures	1,126,400	1,129,104	1,309,957	(180,853)
Total revenues over (under) expenditures before other financing sources (uses)	(201,578)	(201,617)	404,791	968,113
Other Financing Sources (Uses)				
Sale of assets	15,000		10,000	10,000
Total other financing sources (uses)	15,000	-	10,000	10,000
Net change in fund balance	$ (186,578)	$ (201,617)	414,791	$ 978,113
Fund balances, beginning of fiscal year			680,281	
Fund balances, end of fiscal year			$ 1,095,072	

LAKE SHASTINA COMMUNITY SERVICES DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE PLAN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
June 30, 2022

Miscellaneous Plan Reporting Date	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
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%
6/30/2022	0.00593%	$112,578	$522,482	21.55%	82.00%

Safety Plan Reporting Date	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
6/30/2021	0.00001075%	$716	$170,431	0.42%	97.40%
6/30/2022	0.00089000%	(31,245)	$282,573	-11.06%	110.59%

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, 2022

Miscellaneous Plan Reporting Date	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	District's covered employees payroll	Contribution as a percentage of covered-employee payroll
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%
6/30/2022	$132,349	($132,349)	$0	$522,482	25.33%

Safety Plan Reporting Date	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	District's covered employees payroll	Contribution as a percentage of covered-employee payroll
6/30/2021	$25,055	($25,055)	$0	$170,431	14.70%
6/30/2022	$34,960	($34,960)	$0	$282,573	12.37%

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.

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2022

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.