

**Salton
Community Services District**

Salton District, California

Annual Financial Report

For the Year Ended June 30, 2021

**Salton Community Services District
Annual Financial Report
For the Year Ended June 30, 2021**

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Salton Community Services District
Salton City, California

Report on the Financial Statements

Opinion

We have audited the accompanying Statement of Net Position and Government Funds Balance Sheet of the Salton Community Services District, California as of June 30, 2021, and we were engaged to audit the related Statement of Activities, Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances and Proprietary Fund - Cash Flows for the year then ended, and the related notes to the financial statements.

In our opinion, the Statement of Net Position and Government Funds Balance sheet referred to above presents fairly, in all material respects, the financial position of Salton Community Services District as of June 30, 2021, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Disclaimer of Opinion on Results of Activities and Cash Flows

We do not express an opinion on the respective changes in financial position and cash flows, thereof, for the year ended June 30, 2021. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the respective changes in financial position and cash flows, thereof, for the year ended June 30, 2021.

Basis for Opinion

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 Salton 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 on the Statement of Net Position and Government Funds Balance sheet.

Disclaimer of Opinion on Results of Activities and Cash Flows

We do not express an opinion on the Statement of Activities, Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances and Proprietary Fund - Cash Flows of Salton Community Services District for the year ended June 30, 2021. Because complete accounting records and supporting documents related to beginning balances and proper cut-off of revenue and expenses were not available for our audit, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the Statement of Activities, Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances and Proprietary Fund - Cash Flows for the year ended June 30, 2021.

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 Salton Community Services District ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

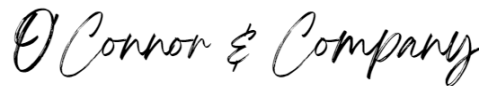
Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is 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 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 statement.

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 statement, 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 statement.
- 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 Salton 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 Salton 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.



O’Connor & Company

Novato, California
March 19, 2024

Salton Community Services District
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2021

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the Salton Community Services District (District) provides an introduction to the financial statements of the District for the fiscal year ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with the basic financial statements and related notes, which follow this section.

Financial Highlights

- The District's net position decreased 92.89%, or \$ \$20,617,838 from the prior year's net position of \$22,196,599 to \$1,606,078, as a result of prior period adjustments to the beginning net position in order to record beginning balances of OPEB-related items as part of GASB Statement 75 implementation.
- Total revenues from all sources increased by 0.23%, or \$6,000 from \$2,643,470 to \$2,649,470, from the prior year, primarily due to increase in governmental activities revenues of \$51,634.
- Total expenses for the District's operations increased by 14.45% or \$376,810 from \$2,607,596 to \$2,984,406 from the prior year, primarily due to an increase in business-type expenses of \$16,192 and an increase in governmental activities expenses of \$360,618.

Using This Financial Report

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities and performance of the District using accounting methods similar to those used by private sector companies. The Statement of Net Position includes all of the District's investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for computing a rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. All of the current year's revenue and expenses are accounted for in the Statement of Activities. This statement measures the success of the District's operations over the past year and can be used to determine the District's profitability and credit worthiness.

Government-wide Financial Statements

Statement of Net Position and Statement of Activities

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Activities report information about the District in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the District's *net position* and changes in them. Think of the District's net position – the difference between assets and liabilities – as one way to measure the District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net position are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors; however, such as changes in the District's property tax base to assess the *overall health* of the District.

Salton Community Services District
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2021

Governmental Funds Financial Statements

Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources of the District exceeded liabilities and deferred inflows of resources by \$1,606,078 as of June 30, 2021.

Condensed Statement of Net Position

	Governmental Activities		Business-Type Activities		Total	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
ASSETS:						
Current assets	\$ 233,424	\$ 825,451	\$ 1,284,816	\$ 1,204,554	\$ 1,518,240	\$ 2,030,005
Non-current assets	-	(70,405)	-	91,011	-	20,606
Capital assets, net	57,515	810,120	1,792,320	20,259,615	1,849,835	21,069,735
Total assets	290,939	1,565,166	3,077,136	21,555,180	3,368,075	23,120,346
DEFERRED OUTFLOWS OF RESOURCES	51,861	63,259	76,362	93,141	128,223	156,400
LIABILITIES:						
Current liabilities	1,021	31,500	177,825	142,693	178,846	174,193
Non-current liabilities	105,332	-	1,500,318	812,590	1,605,650	812,590
Total liabilities	106,353	31,500	1,678,143	955,283	1,784,496	986,783
DEFERRED INFLOWS OF RESOURCES	42,765	37,778	62,959	55,616	105,724	93,394
NET POSITION						
Net investment in capital assets	57,515	810,120	653,199	20,259,615	710,714	21,069,735
Restricted	3,503	644,746		22,718	3,503	667,464
Unrestricted (Deficit)	132,664	104,281	759,197	355,089	891,861	459,370
Total net position	\$ 193,682	\$ 1,559,147	\$ 1,412,396	\$ 20,637,422	\$ 1,606,078	\$ 22,196,569

At the end of fiscal year 2021, the District shows a positive balance in its unrestricted net position of \$891,861.

Salton Community Services District
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2021

Condensed Statement of Activities

	Condensed Statements of Activities					
	Governmental Activities		Business-Type Activities		Total	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
REVENUES:						
Program revenues	\$ -	\$ 73,662	\$ 2,027,002	\$ 2,265,201	\$ 2,027,002	\$ 2,338,863
General revenues and transfers	409,754	284,458	212,714	20,149	622,468	304,607
Total revenues	<u>409,754</u>	<u>358,120</u>	<u>2,239,716</u>	<u>2,285,350</u>	<u>2,649,470</u>	<u>2,643,470</u>
EXPENSES:						
Operations	909,759	549,141	839,876	2,010,035	1,749,635	2,559,176
Depreciation expense	-	-	1,216,261	-	1,216,261	-
Interest expense	-	-	18,510	48,420	18,510	48,420
Total expenses	<u>909,759</u>	<u>549,141</u>	<u>2,074,647</u>	<u>2,058,455</u>	<u>2,984,406</u>	<u>2,607,596</u>
Change in net position	(500,005)	(191,021)	165,069	226,895	(334,936)	35,874
NET POSITION:						
Beginning of year, as restated (Note 14)	693,687	1,750,168	1,247,327	20,410,527	1,941,014	22,160,695
End of year	<u>\$ 193,682</u>	<u>\$ 1,559,147</u>	<u>\$ 1,412,396</u>	<u>\$ 20,637,422</u>	<u>\$ 1,606,078</u>	<u>\$ 22,196,569</u>

The statement of activities shows how the government's net position changed during the fiscal year. In the case of the District, net position decreased by \$20,590,491, during the fiscal year ended June 30, 2021.

Total revenues from all sources increased by 0.23%, or \$6,000 from \$2,643,470 to \$2,649,470, from the prior year, primarily due to an decrease in business-type revenues of \$45,634 and an increase in governmental activities revenues of \$51,634.

Total expenses for the District's operations increased by 14.45% or \$376,810 from \$2,607,596 to \$2,984,406, from the prior year, primarily due to an increase in business-type expenses of \$16,192 and an increase in governmental activities expenses of \$360,618.

Governmental Funds Financial Analysis

The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, the *unreserved fund balance* may serve as a useful measure of the government's net resources for spending at the end of the fiscal year.

As of June 30, 2021, the District reported a total fund balance of \$1,606,078. An amount of \$895,364 constitutes the District's *unassigned fund balance*.

Salton Community Services District
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2021

Capital Asset Administration

Changes in capital assets for the year were as follows:

	Balance June 30, 2021	Balance June 30, 2020
Non-depreciable capital assets	\$ -	\$ -
Depreciable capital assets	9,956,718	21,069,735
Total capital assets	9,956,718	21,069,735
Accumulated depreciation	(8,106,883)	-
Total capital assets, net	\$ 1,849,835	\$ 21,069,735

At the end of fiscal year 2021, the District's investment in capital assets amounted to \$1,849,835 (net of accumulated depreciation). Major capital asset additions during the year include purchases of equipment totaling \$587,679. See Note 5 for further information on the District's capital assets.

Debt Administration

Changes in long-term debt for the year were as follows:

Capital Lease Payable

	Balance June 30, 2021	Balance June 30, 2020
Capital lease payable	\$ 1,139,121	\$ 813,196

See further detail at Note 7.

Conditions Affecting Current Financial Position

Management is unaware of any conditions, which could have a significant impact on the District's current financial position, net position or operating results in terms of past, present and future.

Requests for Information

The District's basic financial statements are designed to present users with a general overview of the District's finances and to demonstrate the District's accountability. If you have any questions about the report or need additional information, please contact the District's General Manager at the Salton Community Services District, 1209 Van Buren Ave., Salton District, California 92275 or (760) 394-4446.

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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Salton Community Services District
Statement of Net Position
June 30, 2021

<u>ASSETS</u>	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Current assets:			
Cash and investments	\$ 216,631	\$ 1,294,908	\$ 1,511,539
Accounts receivable – services, net	3,970	2,470	6,440
Accrued interest receivable	261	-	261
Accounts receivable – other	-	-	-
Property taxes receivable	-	-	-
Special assessments receivable	-	-	-
Prepaid items	-	-	-
Internal balances	12,562	(12,562)	-
Total current assets	233,424	1,284,816	1,518,240
Non-current assets:			
Net other post-employment benefits asset			-
Capital assets – not being depreciated	-	-	-
Capital assets – being depreciated, net	57,515	1,792,320	1,849,835
Total non-current assets	57,515	1,792,320	1,849,835
Total assets	290,939	3,077,136	3,368,075
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Pension related deferred outflows of resources	51,861	76,362	128,223
OPEB related deferred outflows of resources	-	-	-
Total deferred outflows of resources	51,861	76,362	128,223
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable and accrued expenses	1,021	48,380	49,401
Accrued interest payable	-	-	-
Compensated absences	-	-	-
Capital lease payable - due within one year	-	129,445	129,445
Total current liabilities	1,021	177,825	178,846
Non-current liabilities:			
Compensated absences	-	54,582	54,582
Capital lease payable - due in more than one year	-	1,009,676	1,009,676
Net pension liability	8,039	11,839	19,878
Net other post-employment benefits liability	97,293	424,221	521,514
Total non-current liabilities	105,332	1,500,318	1,605,650
Total liabilities	106,353	1,678,143	1,784,496
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Pension related deferred inflows of resources	42,765	62,959	105,724
Total deferred inflows of resources	42,765	62,959	105,724
<u>NET POSITION</u>			
Net investment in capital assets	57,515	653,199	710,714
Restricted	3,503	-	3,503
Unrestricted	132,664	759,197	891,861
Total net position	\$ 193,682	\$ 1,412,396	\$ 1,606,078

See accompanying Notes to the Basic Financial Statements.

Salton Community Services District
Statement of Activities
For the Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenue Charges for Services
Primary government:		
Governmental activities:		
Administrative	\$ 874,275	\$ -
Fire Department	(4,691)	-
Public Works	29,422	-
Parks & Recreation	10,753	-
Interest and fiscal charges	-	-
Total governmental activities	909,759	-
Business-type activities:		
Sewer Maintenance	2,074,647	2,027,002
Solid waste	-	-
Total business-type activities	2,074,647	2,027,002
Total primary government	\$ 2,984,406	\$ 2,027,002

Salton Community Services District
Statement of Activities (Continued)
For the Year Ended June 30, 2021

Functions/Programs	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-Type Activities	Total
Primary government:			
Governmental activities:			
Administrative	\$ (874,275)	\$ -	\$ (874,275)
Fire Department	4,691	-	4,691
Public Works	(29,422)	-	(29,422)
Parks & Recreation	(10,753)	-	(10,753)
Interest and fiscal charges	-	-	-
Total governmental activities	(909,759)	-	(909,759)
Business-type activities:			
Sewer Maintenance	-	(47,645)	(47,645)
Solid waste	-	-	-
Total business-type activities	-	(47,645)	(47,645)
Total primary government	(909,759)	(47,645)	(957,404)
General revenues and transfers:			
Taxes	250,422	-	250,422
Voter approved taxes	-	-	-
Permits	850	-	850
Fire Dept	62,125	-	62,125
Rents and Leases	69,043	7,384	76,427
Interest	578	2,678	3,256
Other Fees	18,379	-	18,379
Other Income	8,357	202,652	211,009
Total general revenues and transfers	409,754	212,714	622,468
Change in net position	(500,005)	165,069	(334,936)
Net position:			
Beginning of year, as restated (Note 13)	693,687	1,247,327	1,941,014
End of year	\$ 193,682	\$ 1,412,396	\$ 1,606,078

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GOVERNMENTAL FUND FINANCIAL STATEMENTS.

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Salton Community Services District
Balance Sheet
Governmental Funds
June 30, 2021

	<u>General Government</u>	<u>Channel Maintenance</u>	<u>Total Governmental Funds</u>
<u>Assets</u>			
Assets:			
Cash and investments	\$ 216,631	\$ -	\$ 216,631
Accrued interest receivable	261	-	261
Accounts receivable – services, net	3,970	-	3,970
Due from other funds	9,059	3,503	12,562
Total assets	\$ 229,921	\$ 3,503	\$ 233,424
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable and accrued expenses	\$ 1,021	\$ -	\$ 1,021
Total liabilities	1,021	-	1,021
Fund balances:			
Restricted	-	3,503	3,503
Unassigned	228,900	-	228,900
Total fund balances	228,900	3,503	232,403
Total liabilities and fund balances	\$ 229,921	\$ 3,503	\$ 233,424

Salton Community Services District
Reconciliation of the Balance Sheet of Governmental Funds to the
Government-Wide Statement of Net Position
June 30, 2021

Total Fund Balances – Total Governmental Funds	<u>\$ 232,403</u>
Amounts reported for governmental activities in the statement of net position are different because:	
Capitalized assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. However, the statement of net position includes those assets as capital assets.	57,515
Deferred outflows of resources used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. However, the statement of net position includes those deferred outflows of resources.	51,861
Long-term liabilities applicable to the District are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities' both current and long-term, are reported in the statement of net position as follows:	
Net pension liability	(8,039)
Deferred inflows of resources used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. However, the statement of net position includes those deferred inflows of resources.	<u>(42,765)</u>
Total adjustments	<u>(38,721)</u>
Net Position of Governmental Activities	<u><u>\$ 193,682</u></u>

Salton Community Services District
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2021

	<u>General Government</u>	<u>Channel Maintenance</u>	<u>Total Governmental Funds</u>
Revenues:			
Taxes	\$ 250,193	\$ 229	\$ 250,422
Licenses and permits	850	-	850
Intergovernmental	62,125	-	62,125
Charges for services	69,043	-	69,043
Use of money and property	504	74	578
Fines and forfeitures	18,379	-	18,379
Miscellaneous	8,357	-	8,357
Total revenues	<u>409,451</u>	<u>303</u>	<u>409,754</u>
Expenditures:			
Current:			
Administrative	235,060	641,831	876,891
Fire Department	(4,691)	-	(4,691)
Public Works	32,878	-	32,878
Parks & Recreation	10,753	-	10,753
Total expenditures	<u>274,000</u>	<u>641,831</u>	<u>915,831</u>
Net change in fund balance	135,451	(641,528)	(506,077)
Fund balance:			
Beginning of year, as restated (Note 13)	<u>93,449</u>	<u>645,031</u>	<u>738,480</u>
End of year	<u>228,900</u>	<u>3,503</u>	<u>232,403</u>

Salton Community Services District
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balance of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2021

Net Changes in Fund Balance – Total Governmental Funds	<u>\$ (506,077)</u>
Amounts reported for governmental activities in the statement of activities is different because:	
Some expenses reported in the statement of activities do not require the use of current financial resources. Therefore, those expenses are not reported as expenditures in governmental funds as follows:	
Net change in net pension expense	4,464
Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those capitalized assets is allocated over their estimated useful lives as depreciation expense.	
Capital outlay	3,840
Depreciation expense	<u>384</u>
Total adjustments	<u>6,072</u>
Change in Net Position of Governmental Activities	<u><u>\$ (500,005)</u></u>

PROPRIETARY FUND FINANCIAL STATEMENTS

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Salton Community Services District
Statement of Net Position
Proprietary Funds
June 30, 2021

	Sewer Maintenance
ASSETS	
Current assets:	
Cash and investments	\$ 854,435
Cash and investments-restricted	440,473
Accounts receivable – services, net	2,470
Total current assets	<u>1,297,378</u>
Non-current assets:	
Capital assets – being depreciated, net	1,792,320
Total non-current assets	<u>1,792,320</u>
Total assets	<u>3,089,698</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension related deferred outflows of resources	76,362
Total deferred outflows of resources	<u>76,362</u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued expenses	48,380
Due to other funds	12,562
Loans payable	129,445
Total current liabilities	<u>190,387</u>
Non-current liabilities:	
Compensated absences	54,582
Capital lease payable	1,009,676
Net pension liability	11,839
Net other post-employment benefits liability	424,221
Total non-current liabilities	<u>1,500,318</u>
Total liabilities	<u>1,690,705</u>
DEFERRED INFLOWS OF RESOURCES	
Pension related deferred inflows of resources	62,959
Total deferred inflows of resources	<u>62,959</u>
NET POSITION	
Net investment in capital assets	782,644
Unrestricted	629,752
Total net position	<u>\$ 1,412,396</u>

Salton Community Services District
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2021

	Sewer Maintenance
Operating revenues:	
Charges for services	\$ 2,027,002
Rents and leases	7,384
Miscellaneous	202,652
Total operating revenues	2,237,038
Operating expenses:	
Personnel services	1,179,128
Utilities	230,476
Contractual services	118,363
Administrative services	318,796
Repair and maintenance	136,085
Supplies	15,498
Depreciation	57,015
Total operating expenses	2,055,361
Operating income(loss)	181,677
Non-operating revenue(expense) and transfers:	
Investment income	2,678
Interest expense and fiscal charges	(19,286)
Total non-operating, revenue (expenses)	(16,608)
Change in net position	165,069
Net position:	
Beginning of year, as restated (Note 13)	1,247,327
End of year	\$ 1,412,396

Salton Community Services District
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2021

	Sewer Maintenance
Cash flows from operating activities:	
Cash receipts from customers and others	\$ 2,699,303
Cash paid to employees for salaries and wages	(1,201,855)
Cash paid to vendors and suppliers	(804,874)
Others	136,816
Net cash provided by operating activities	829,390
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(584,223)
Proceed from capital lease	448,490
Principal payments on capital lease payable	(75,748)
Interest payments on capital lease payable	(19,286)
Net cash used in capital/financing activities	(230,767)
Cash flows from investing activities:	
Investment earnings	2,678
Net cash provided by investing activities	2,678
Net change in cash and cash equivalents	601,301
Cash and cash equivalents:	
Beginning of year	693,607
End of year	\$ 1,294,908
Cash and investments	\$ 854,435
Cash and investments-Restricted	440,473
	\$ 1,294,908
Reconciliation of operating income to net cash provided by (used in) operating activities:	
Operating income	\$ 181,677
Prior period adjustments - Miscellaneous	45,512
Adjustments to reconcile operating income(loss) to net cash provided by operating activities:	
Depreciation expense	57,015
Changes in account balances:	
(Increase) decrease in assets:	
Accounts receivable – services, net	462,265
Net pension asset	12,269
Due from other funds	84,777
(Increase) decrease in deferred outflows of resources	
Pension related outflows of resources	16,779
Increase (decrease) in liabilities:	
Accounts payable and accrued expenses	14,344
Due to Other Funds	6,527
Compensated absences	(26,758)
Net pension liability	11,839
Net OPEB liability	(44,199)
Increase (decrease) in deferred inflows of resources	
Pension related inflows of resources	7,343
Total adjustments	602,201
Net cash provided by operating activities	\$ 829,390

See accompanying Notes to the Basic Financial Statements.

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Salton Community Services District
Notes to the Financial Statements
For the Year Ended June 30, 2021

Note 1 – Summary of Significant Accounting Policies

The financial statements of Salton Community Services District (District) have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board is the accepted standard-setting body of establishing governmental accounting and financial reporting principles. The District's more significant accounting policies are described below.

A. Reporting Entity

The District was formed under government code section 61600 of the State of California on June 13, 1955.

The District was established and formed to provide the following:

1. Collect, treat, or dispose of sewage.
2. Collect, transfer and dispose of solid waste.
3. Provide fire protection.
4. Acquire, construct recreation facilities.
5. Organize, promote community recreation.
6. Acquire, construct, and improve lighting and landscaping.
7. Provide emergency medical services.

Blended Component Unit:

On October 15, 2002, the Board approved and authorized the execution and filing of the organizational documents relating to the Salton Community Services District Financing Corporation.

B. Basis of Accounting and Measurement Focus

The District's financial statements are prepared in conformity with U.S. GAAP. The Governmental Accounting Standards Board (GASB) is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States.

Government-Wide Financial Statements

The government-wide financial statements are reported using the “*economic resources*” measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of the 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 imposed by the provider have been met.

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all the activities of the primary government. The effect of inter-fund activity has been removed from these statements and eliminations have been made to minimize the double counting of internal activities. 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 support.

Salton Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting and Measurement Focus (Continued)

Government-Wide Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is 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 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 not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and the major individual enterprise funds are reported as separate columns in the fund financial statements.

Governmental Fund Financial Statements

Governmental fund financial statements are reported using the “*current financial resources*” measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers tax revenues to be available if they are collected within 60 days of the end of the current fiscal year and other revenues when collected within one year of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

The primary revenue sources susceptible to accrual are property taxes, charges for services, and interests associated with the current fiscal period and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The District reports the following governmental major funds:

General Government – This fund acts as the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Channel Maintenance – This fund is for the maintenance of Channels 662, 679, and 576A tracts. It was funded through collection of property taxes. The District was the trustee for this fund.

Salton Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting and Measurement Focus (Continued)

Proprietary Fund Financial Statements

Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows for each proprietary fund.

Proprietary funds are accounted for using the "*economic resources*" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Net Position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. In these funds, receivables have been recorded as revenue and provisions have been made for uncollectible amounts.

Proprietary fund operating revenues and expenses, such as charges for services, and payments to employees and vendors, 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. Non-operating revenues and expenses, such as subsidies, investment earnings, changes in fair value of investments and interest charges result from non-exchange transactions or ancillary activities.

The concept of major funds extends to Proprietary Funds. The District has identified the funds below as major proprietary funds:

Sewer Maintenance – This fund accounts for the water transmission, distribution, and sewer system operations of the District.

C. Cash and Cash Equivalents

Substantially all of the District's cash is invested in interest bearing accounts. The District considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

D. Investments

Changes in fair value that occur during a fiscal year are recognized as unrealized gains or losses and reported for that fiscal year. Investment income comprises interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

U.S. GAAP defines fair value, establishes a framework for measuring fair value and establishes disclosures about fair value measurement. Investments, unless otherwise specified, recorded at fair value in the Statements of Net Position, are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Levels of inputs are as follows:

Level 1 – Inputs are unadjusted, quoted prices for identical assets and liabilities in active markets at the measurement date.

Level 2 – Inputs, other than quoted prices included in Level 1 that are observable for the asset or liability through corroboration with market data at the measurement date.

Level 3 – Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date.

Salton Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

E. Accounts Receivable – Services, net

The District extends credit to customers in the normal course of operations. Management reviews all accounts receivable as collectible; however, certain accounts are delinquent and an allowance for doubtful accounts has been recorded.

F. Property Taxes and Assessments

The Imperial County Assessor’s Office assesses all real and personal property within the County each year. The Imperial County Tax Collector’s Office bills and collects the District’s share of property taxes and/or tax assessments. The Imperial County Treasurer’s Office remits current and delinquent property tax collections to the District throughout the year. Property tax in California is levied in accordance with Article 13A of the State Constitution at one percent (1%) of countywide assessed valuations.

Property taxes and assessments receivable at year-end are related to property taxes and special assessments collected by the Imperial County, which have not been credited to the District's cash balance as of June 30. The property tax calendar is as follows:

Lien date	March 1
Levy date	July 1
Due dates	November 1 and February 1
Collection dates	December 10 and April 10

G. Capital Assets

Capital assets are recorded in the government-wide financial statements. Included in capital assets is equipment used at the District. District policy has set the capitalization threshold for reporting capital assets at \$5,000. Donated assets are recorded at estimated acquisition value at the date of donation. Capital outlay is recorded as expenditures of the General Fund and as assets in the government-wide financial statements to the extent the District’s capitalization threshold is met. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Land improvements	20 to 30 years
Buildings	40 years
Vehicles and equipment	3 to 10 years
Software	5 years
Transmission and distribution systems	10 to 40 years
Collection systems	10 to 50 years

H. Deferred Outflows/Inflows of Resources

The statement of net position reports separate sections for deferred outflows of resources, and deferred inflows of resources, when applicable.

Deferred Outflows of Resources represent outflows of resources (consumption of net position) that apply to future periods and that, therefore, will not be recognized as an expense until that time.

Deferred Inflows of Resources represent inflows of resources (acquisition of net position) that apply to future periods and that, therefore, are not recognized as a revenue until that time.

Salton Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

I. Compensated Absences

District policy permits its employees to accumulate earned vacation and sick pay for subsequent use or for payment upon termination or retirement.

J. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plans and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans (Note 9). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value. The following timeframes are used for pension reporting:

CalPERS

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Measurement Period	July 1, 2019 to June 30, 2020

Gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized straight-line over five years. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

K. Other Postemployment Benefits (“OPEB”)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District Retiree Benefits Plan (“OPEB Plan”) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments, which are reported at amortized cost.

Valuation Date	June 30, 2021
Measurement Date	June 30, 2021
Measurement Period	July 1, 2020 to June 30, 2021

Salton Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

L. Net Position

Net position is categorized as follows:

Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation and reduced by any outstanding debt outstanding against the acquisition, construction or improvement of those assets.

Restricted – This component of net position consists of constraints placed on net position use through external constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. The District has no restricted net position as of June 30, 2021.

Unrestricted – This component of net position consists of net amount of assets that are not included in the determination of *restricted* or *net investment in capital assets*.

M. Fund Balance

The financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned or unassigned based primarily on the extent to which the District is bound to honor constraints on how specific amounts can be spent.

Nonspendable – amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact.

Restricted – amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions enabling legislation.

Committed – amounts that can only be used for specific purposes determined by formal action of the District’s highest level of decision-making authority (the Board of Directors) and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.

Assigned – amounts that are constrained by the District’s intent to be used for specific purposes. The intent can be established at either the highest level of decision-making, or by a body or an official designated for that purpose.

Unassigned – the residual classification for the District’s general fund that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes. The Board of Directors established, modifies or rescinds fund balance commitments and assignments by passage of a resolution. This is done through adoption of the budget and subsequent budget amendments that occur throughout the year.

When both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first, followed by the unrestricted, committed, assigned and unassigned resources as they are needed.

Salton Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

M. Fund Balance (Continued)

The District believes that sound financial management principles require that sufficient funds be retained by the District to provide a stable financial base at all times. To retain this stable financial base, the District needs to maintain an unrestricted fund balance in its funds sufficient to fund cash flows of the District and to provide financial reserves for unanticipated expenditures and/or revenue shortfalls of an emergency nature. Committed, assigned and unassigned fund balances are considered unrestricted.

The purpose of the District’s fund balance policy is to maintain a prudent level of financial resources to protect against reducing service levels or raising taxes and fees because of temporary revenue shortfalls or unpredicted one-time expenditures.

N. Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported changes in District net position during the reporting period. Actual results could differ from those estimates.

Note 2 – Cash and Investments

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

Description	Balance
Cash on hand	\$ 3,720
Demand Accounts	1,188,237
Local Agency Investment Fund	319,582
Total	\$ 1,511,539

A. Demand Deposits

At June 30, 2021, the carrying amount of the District’s demand deposits was \$1,188,237 and the financial institution balance was \$1,194,839. The \$6,602 net difference as of June 30, 2021 represents outstanding checks, deposits-in-transit and/or other reconciling items.

The California Government Code requires California banks and savings and loan associations to secure an entity's deposits by pledging government securities with a value of 110% of an entity's deposits. California law also allows financial institutions to secure entity deposits by pledging first trust deed mortgage notes having a value of 150% of an entity's total deposits. The entity's Treasurer may waive the collateral requirement for deposits which are fully insured up to \$250,000 by the FDIC.

The collateral for deposits in federal and state chartered banks is held in safekeeping by an authorized agent of depository recognized by the State of California Department of Banking. The collateral for deposits with savings and loan associations is generally held in safekeeping by the Federal Home Loan Bank in San Francisco, California as an agent of depository. These securities are physically held in an undivided pool for all California public agency depositors. Under Government Code Section 53655, the placement of securities by a bank or savings and loan association with an agent of depositor has the effect of perfecting the security interest in the name of the local governmental agency. Accordingly, all collateral held by California agents of depository are considered to be held for, and in the name of, the local government.

Salton Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 2 – Cash and Investments (Continued)

B. Investments

The District’s investments as of June 30, 2021 were as follows:

<u>Type of Investments</u>	<u>Measurement Input</u>	<u>Credit Rating</u>	<u>Fair Value</u>	<u>Maturity</u> <u>12 Months or Less</u>
Local Agency Investment Fund	Uncategorized	N/A	\$ 319,582	\$ 319,582
Total investments			<u>\$ 319,582</u>	<u>\$ 319,582</u>

C. Authorized Deposits and Investments

The District is legally empowered by statute and resolution to invest in certificates-of-deposit and the California State Investment Pool – Local Agency Investment Fund (LAIF). The District’s investment policy identifies other investment types that are authorized for the District to invest in under the California Government Code.

D. Investment in State Investment Pool

The District is a voluntary participant in LAIF which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the District’s investment in this pool is reported in the accompanying financial statements at amounts based upon the District’s pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

The District’s investments with LAIF at June 30, 2021 included a portion of the pool funds invested in structured notes and asset-backed securities:

Structured Notes: debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

Asset-Backed Securities: generally mortgage-backed securities that entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (for example, Collateralized Mortgage Obligations) or credit card receivables.

The District had \$319,582 invested in LAIF, which had invested 2.62% of the pooled investment funds as of June 30, 2021 in structured notes and medium-term asset-backed securities. The LAIF fair value factor of 1.00008297 was used to calculate the fair value of the investments in LAIF as of June 30, 2021.

Salton Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 2 – Cash and Investments (Continued)

E. Risk Disclosures

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. As of June 30, 2021 the District's investment in the LAIF was not rated as noted in the table above.

Custodial Credit Risk

The 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 deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's investment policy requires that collateral be held by an independent third party with whom the District has a current custodial agreement.

Custodial Credit Risk (Continued)

The custodial credit risk for *investments* is the risk that in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The District's investment policy requires that all security transactions are conducted on a delivery-versus-payment (DVP) method and that all securities are held by a qualified, third-party custodian, as evidenced by safekeeping receipts. The trust department of the District's bank may act as third-party custodian, provided that the custodian agreement is separate from the banking agreement. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

As of June 30, 2021, none of the District's deposits and investments was exposed to disclosable custodial credit risk.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the fair values of investments with longer maturities have greater sensitivity to changes in market interest rates. The District's investment policy follows the Code as it relates to limits on investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates. The District has elected to use the segmented time distribution method of disclosure for the maturities of its investments as related to interest rate risk as noted in the table above.

Concentration of Credit Risk

The District's investment policy contains no limitations on the amount that can be invested in any one governmental agency or non-governmental issuer beyond that stipulated by the California Government Code. There were no investments in any one governmental or non-governmental issuer that represented 5% or more of the District's total investments except for those in LAIF or non-negotiable certificates-of-deposit.

Salton Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 3 – Accounts Receivable – Services, net

The accounts receivable – services, net balance consists of the following balances as of June 30, 2021:

Description	General Government	Sewer Maintenance	Total
Accounts receivable – services	\$ 3,970	\$ 2,470	\$ 6,440

Note 4 – Due To/From Other Funds

A. Due To/(From) Other Funds

Due From Other Funds	Due To Other Funds		
	General Fund	Channel Maintenance	Total
Sewer Maintenance	\$ 9,059	\$ 3,503	\$ 12,562
Total	\$ 9,059	\$ 3,503	\$ 12,562

Current interfund balances arise in the normal course of operations to cover cash shortages and are expected to be repaid shortly after the end of the fiscal year.

Note 5 – Capital Assets

A. Governmental Funds

Summary of change in governmental activities capital assets are as follow:

	Balance July 1, 2020	Prior Period Adjustment	Additions	Deletions/ Transfers	Balance June 30, 2021
Depreciable assets:					
Buildings	\$ 558,398	\$ (99,704)	\$ 3,840	\$ -	\$ 462,534
Equipment	251,722	(78,986)	-	-	172,736
Total depreciable assets	810,120	(178,690)	3,840	-	635,270
Accumulated depreciation:					
Buildings	-	(458,438)	(384)	-	(458,822)
Equipment	-	(118,933)	-	-	(118,933)
Total accumulated depreciation	-	(577,371)	(384)	-	(577,755)
Total depreciable assets, net	810,120	(756,061)	3,456	-	57,515
Total capital assets, net	\$ 810,120	\$ (756,061)	\$ 3,456	\$ -	\$ 57,515

Depreciation expense in the amount of \$384 was charged to Administrative in the Governmental Activities.

Salton Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 5 – Capital Assets (Continued)

B. Proprietary Funds

Summary of change in business-type activities capital assets are as follow:

	<u>Balance July 1, 2020</u>	<u>Prior Period Adjustments</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance June 30, 2021</u>
Depreciable assets:					
Office Building	\$ 1,100,000	\$ 96,853	\$ -	\$ -	\$ 1,196,853
Office Equipment	14,982	(11,982)	-	-	3,000
Pump Stations	124,362	1,603,296	6,135	-	1,733,793
Sewers	6,759,568	(4,052,284)	-	-	2,707,284
Equipment	1,607,208	(428,051)	52,590	-	1,231,747
Structures & Improvements	532,963	911	-	-	533,874
Motor Vehicles	551,256	838,527	525,114	-	1,914,897
New Construction	9,569,276	(9,569,276)	-	-	-
Total depreciable assets	<u>20,259,615</u>	<u>(11,522,006)</u>	<u>583,839</u>	<u>-</u>	<u>9,321,448</u>
Accumulated depreciation:					
Office Building	-	(1,196,853)	-	-	(1,196,853)
Office Equipment	-	(3,000)	-	-	(3,000)
Pump Stations	-	(1,727,372)	(614)	-	(1,727,986)
Sewers	-	(2,707,284)	-	-	(2,707,284)
Equipment	-	(518,653)	(3,506)	-	(522,159)
Structures & Improvements	-	(533,874)	-	-	(533,874)
Motor Vehicles	-	(785,461)	(52,511)	-	(837,972)
Total accumulated depreciation	<u>-</u>	<u>(7,472,497)</u>	<u>(56,631)</u>	<u>-</u>	<u>(7,529,128)</u>
Total depreciable assets, net	<u>20,259,615</u>	<u>(18,994,503)</u>	<u>527,208</u>	<u>-</u>	<u>1,792,320</u>
Total capital assets, net	<u>\$ 20,259,615</u>	<u>\$ (18,994,503)</u>	<u>\$ 527,208</u>	<u>\$ -</u>	<u>\$ 1,792,320</u>

Depreciation expense in the amount of \$56,631 was charged to Sewer Maintenance Fund in the Business-Type Activities,

Note 6 – Compensated Absences

Compensated absences comprise unpaid vacation leave, sick leave and compensating time off which is accrued as earned. The District's liability for compensated absences is determined annually. The changes to the compensated absences balance at June 30, 2021 were as follows:

<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2021</u>	<u>Current Portion</u>	<u>Long-term Portion</u>
\$ 81,340	\$ 65,441	\$ (92,199)	\$ 54,582	\$ -	\$ 54,582

Salton Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 7 – Loan and Capital Lease Payable

Changes in loan and capital lease payable amounts for the year ended June 30, 2021 were as follows:

<u>Balance</u> <u>July 1, 2020</u>	<u>Additions</u>	<u>Payments</u>	<u>Adjustments</u>	<u>Balance</u> <u>June 30, 2021</u>	<u>Current</u> <u>Portion</u>	<u>Long-term</u> <u>Portion</u>
\$ 813,196	\$ 448,490	\$ (112,970)	\$ (9,595)	\$ 1,139,121	\$ 129,445	\$ 1,009,676

In 2014, the District entered into a \$600,000 loan payable agreement to finance the purchase of an office building. The loan payable is scheduled to mature in fiscal year 2045 and bears interest at a rate of 7.000% with monthly scheduled principal and interest payments of \$3,949 on the 1st day of the months of July, August, September and October.

In 2018, the District entered into a \$42,800 capital lease payable agreement to finance the purchase of a truck. The capital lease payable is scheduled to mature in fiscal year 2023 and bears interest at a rate of 1.900% with monthly scheduled principal and interest payments of \$630 on the 1st day of the months of July, August, September and October.

In 2020, the District entered into a \$256,685 capital lease payable agreement to finance the purchase of a truck and machinery equipment. The capital lease payable is scheduled to mature in fiscal year 2025 and bears interest at a rate of 7.690% with monthly scheduled principal and interest payments of \$5,494 on the 9th day of the months of July, August, September and October.

In 2021, the District entered into a \$448,490 capital lease payable agreement to finance the purchase of machinery equipment. The capital lease payable is scheduled to mature in fiscal year 2027 and bears interest at a rate of 3.180% with annual scheduled principal and interest payments of \$7,385 on the 1st day of February.

Future loan and capital lease payments per fiscal year are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 129,445	\$ 61,095	\$ 190,540
2023	126,701	54,155	180,856
2024	136,038	46,943	182,981
2025	99,941	40,232	140,173
2026	81,899	36,869	118,768
2027 - 2045	565,097	374,469	939,566
Total	<u>\$ 1,139,121</u>	<u>\$ 613,763</u>	<u>\$ 1,752,884</u>

Salton Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 8 – Net Pension Liability and Defined Benefit Pension Plan

A. General Information about the Pension Plans

Plan Description

All qualified permanent and probationary employees are eligible to participate in the District’s Miscellaneous 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.

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 at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

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

Miscellaneous Plans

	Miscellaneous	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2.7% at 60	2.7% @ 60
Benefit vesting schedule	5-years or service	5-years or service
Benefits payments	monthly for life	monthly for life
Retirement age	50 - 67	50 - 67
Monthly benefits, as a % of eligible compensation	1.1% to 2.4%	1.0% to 2.5%
Required member contribution rates	7.0%*	7.0%*
Required employer contribution rates	11.6%	6.2%

Safety Plans

	Safety	
	Prior to January 1, 2013	Prior to January 1, 2013
Hire date		
Benefit formula	.5% @ 55	2% @ 57
Benefit vesting schedule	5-years or service	5-years or service
Benefits payments	monthly for life	monthly for life
Retirement age	50 to 55	50 to 55
Monthly benefits, as a % of eligible compensation	1.8% to 2.5%	1.4% to 2.0%
Required member contribution rates	7.0%*	7.0%*
Required employer contribution rates	0.0%	0.0%

Salton Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 8 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

A. General Information about the Pension Plans (Continued)

Contributions

Section 20814(c) of the California Public Employees’ Retirement Law (PERL) requires that the employer contribution rates for all public employers will 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 both 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.

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

As of June 30, 2021, the District reported net pension liabilities (assets) for its proportionate shares of the net pension liability of each plan as follows:

Plan Type	Proportionate Share of Net Pension Liability
Miscellaneous	\$ 518,021
Safety	(498,143)
Total Net Pension Liability (Asset)	\$ 19,878

The District’s net pension liability (asset) for each Plan is measured as the proportionate share of the net pension liability. The net pension liability (asset) 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 (asset) 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 (asset) 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 (asset) for each Plan as of June 30, 2021 and 2020 was as follows:

	Miscellaneous	Safety	Total
Proportion - June 30, 2020	0.01138%	-0.00763%	-0.00020%
Proportion - June 30, 2021	0.01228%	-0.00748%	0.00018%
Change - Increase (Decrease)	0.00090%	0.00015%	0.00038%

Salton Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 8 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

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

For the year ended June 30, 2021, the District recognized pension expense of \$136,860. At June 30, 2021 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Account Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions	\$ -	\$ 2,035
Differences between expected and actual experience	-	11,933
Differences between projected and actual investment earnings	4,562	-
Difference between employer's contributions and proportionate share of employer contributions	-	91,755
Changes in employer's proportion	67,792	-
Pension contributions made subsequent to measurement date	55,869	-
Total Deferred Outflows/(Inflows) of Resources	\$ 128,223	\$ 105,723

The District reported \$55,869 as deferred outflows of resources related to contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Fiscal Year Ended June 30:</u>	<u>Miscellaneous</u>	<u>Safety</u>	<u>Totals</u>
2022	\$ 1,116	\$ (8,398)	\$ (7,282)
2023	6,788	(27,019)	(20,231)
2024	9,122	(16,935)	(7,813)
2025	7,381	(5,424)	1,957
2026	-	-	-
Thereafter	-	-	-
Total	\$ 24,407	\$ (57,776)	\$ (33,369)

Salton Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 8 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

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

Actuarial Assumptions – The total pension liabilities in the June 30, 2019 actuarial valuations from CalPERS were determined using the following actuarial assumptions:

	Miscellaneous	Safety
Valuation Date	June 30, 2019	June 30, 2019
Measurement Date	June 30, 2020	June 30, 2020
Actuarial Cost Method	Entry Age Normal Cost Method	
Actuarial Assumptions:		
Discount Rate	7.15%	7.15%
Inflation	2.50%	2.50%
Projected Salary Increases	Varies by Entry Age and Service	
Investment Rate of Return	7.15% ⁽¹⁾	7.15% ⁽¹⁾
Mortality	Based on CalPERS specific data	

⁽¹⁾ Net of pension plan investment expenses, including inflation

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2019 valuation were based on the results of an April 2014 actuarial experience study and review of actuarial assumptions report based on CalPERS demographic data from 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

Discount Rate – The discount rate used to measure the total pension liability was 7.15 percent 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.

Salton Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 8 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

B. Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans (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.

Investment Type	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	77.00%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-92.00%
	<u>100.00%</u>		

(a) An expected inflation of 2.0% used for this period.

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

Sensitivity of the Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate –

The following presents the District’s proportionate share of the net pension liability (asset) 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 (asset) 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:

Plan Type	Plan's Net Pension Liability/(Asset)		
	Discount Rate - 1% 6.15%	Current Discount Rate 7.15%	Discount Rate + 1% 8.15%
Miscellaneous	\$ 893,936	\$ 518,021	\$ 207,414
Safety	(490,739)	(498,143)	(504,219)
Total	<u>\$ 403,197</u>	<u>\$ 19,878</u>	<u>\$ (296,805)</u>

Pension Plan Fiduciary Net Position – Detailed information about each pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

Salton Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 9 –Other Post-Employment Benefits

A. General Information about the OPEB Plan

Plan Description

Plan administration. The District’s governing board administers the Retiree Medical Allowance (the Plan). The Plan is a single employer defined benefit plan and is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees. The Plan provides a monthly medical insurance allowance to eligible retirees. The District’s governing board has the authority to establish and amend the benefit terms as contained within the labor agreements.

Benefits provided. The District provides a lifetime retiree medical allowance to eligible retirees hired before March 1, 2015. Eligibility requires retirement on or after age 60 with at least five consecutive years of District service.

The retiree medical allowance shall be \$500 per month. Upon any retiree becoming eligible for Medicare, the District’s retiree medical allowance shall be the lesser of the applicable retiree medical allowance (\$500 per month) or the cost of supplemental Medicare insurance coverage offered through the retiree’s medical insurance provider.

The District’s obligation does not apply to any person hired after March 1, 2015.

Plan membership. On June 30, 2021, the most recent valuation date, membership consisted of the following:

Actuarial cost method	Entry Age, Level Percent of Pay
Valuation of fiduciary net position	No assets held in an irrevocable trust as of the measurement date.
Recognition of deferred inflows and outflows of resources	Closed period equal to the average of the expected remaining service lives of all employees provided with OPEB
Salary increases	3.00 percent
Inflation rate	2.50 percent
Healthcare cost trend rate	7.00 percent for 2021, 6.50 percent for 2022, 6.00 percent for 2023, 5.50 percent for 2024, 5.25 percent for 2025-2029, 5.00 percent for 2030-2039, 4.75 percent for 2040-2049, 4.50 percent for 2050-2069, and 4.00 percent for 2070 and later years.
Preretirement Mortality	Preretirement Mortality Rates for Public Agency Miscellaneous from 2021 CalPERS Experience Study.
Postretirement Mortality	Postretirement Mortality Rates for Public Agency Miscellaneous from 2021 CalPERS Experience Study.

Actuarial assumptions used in the June 30, 2021 valuation were based on a review of plan experience during the period June 30, 2020 to June 30, 2021.

Salton Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 9 –Other Post-Employment Benefits (Continued)

B. Net OPEB Liability

Discount rate. For OPEB Plans That Are Not Administered through Trusts That Meet the Criteria in Paragraph 4, GASB 75 requires a discount rate that is a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The discount rate used to measure the District's Total OPEB liability is based on the following information:

Reporting Date	Measurement Date	Fidelity GO AA 20 Years Municipal Index	Discount Rate
June 30, 2021	June 30, 2021	1.92%	1.92%

The Total OPEB liability was as follows:

	2021
Total OPEB Liability	\$ 521,514
Measurement date	June 30, 2021
Reporting date	June 30, 2021
Covered employee payroll	\$ 559,280
Total OPEB liability as a percentage of covered payroll	93.25%

Schedule of Changes in Total OPEB Liability (June 30, 2020 to June 30, 2021)

	Total OPEB Liability
Service cost	\$ 10,015
Interest	10,200
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions or other inputs	-
Benefit payments ¹	(39,713)
Net change in total OPEB liability	(19,498)
Total OPEB liability-June 30, 2020	541,012
Total OPEB liability-June 30, 2021	\$ 521,514

¹Includes \$39,713 of pay-as-you-go contributions made from sources outside of trust.

Sensitivity of the Total OPEB liability to changes in the discount rate. The following presents the Total OPEB liability, as well as what the Total OPEB 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 discount rate:

Plan's OPEB Liability/(Asset)		
1% Decrease (0.92%)	Discount Rate (1.92%)	1% Increase (7.75%)
\$ 583,977	\$ 521,514	\$ 468,944

Salton Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 9 –Other Post-Employment Benefits (Continued)

Sensitivity of the Total OPEB liability to changes in the healthcare cost trend rates. The following presents the Total OPEB liability, as well as what the Total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

Plan's OPEB Liability/(Asset)		
1% Decrease ²	Discount Rate	1% Increase ³
\$ 515,793	\$ 521,514	\$ 525,365

²Trend rate for each future year reduced by 1.00%

³Trend rate for each future year increased by 1.00%

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

On June 30, 2021, the District's deferred outflows of resources and deferred inflows of resources to OPEB from the following sources are:

	Deferred outflows of Resources	Deferred inflows of Resources
Difference between expected and experience ^{4,5}	-	-
Changes in assumptions or other inputs ^{4,5}	-	-
Total	\$ -	\$ -

⁴Measured on June 30, 2021.

⁵See Schedule of Deferred Outflows and Inflows of Resources for additional information.

Amounts reported as deferred outflows and deferred inflows of resources will be recognized in OPEB expense as follows:

Fiscal Year ending June 30:	Deferred outflows of Resources	Deferred inflows of Resources
2022	\$ -	\$ -
2023	-	-
2024	-	-
2025	-	-
2026	-	-
Thereafter ⁺	-	-

OPEB Expense^a

The District's OPEB expense (credit) was \$20,215.

Total OPEB Liability - beginning (a)	\$ 541,012
Total OPEB Liability - ending (b)	\$ 521,514
Changes in total OPEB Liability [(b)-(a)]	(19,498)
Change in Deferred Outflows	-
Change in Deferred Inflows	-
Employer Contributions	39,713
Adjustment	-
OPEB Expense (Credit) - June 30, 2020 to June 30, 2021	\$ 20,215

Salton Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 9 –Other Post-Employment Benefits (Continued)

OPEB Expense^a (Continued)

Service Cost	\$	10,015
Interest Cost		10,200
Changes of benefit terms		-
Recognition of Deferred Outflows and Inflows		
Differences between expected and actual experience		-
Changes of assumptions		-
Differences between projected and actual investments		-
OPEB Expense (Credit)-June 30, 2020 to June 30, 2021	<u>\$</u>	<u>20,215</u>

^aOPEB Expense shown does not include any applicable adjustments related to the first year adopting GASB 75.

Note 10 – Deferred Compensation Savings Plan

For the benefit of its employees, the District participates in a 457 Deferred Compensation Program. The purpose of this Program is to provide deferred compensation for public employees that elect to participate in the Program. Generally, eligible employees may defer receipt of a portion of their salary until termination, retirement, death or unforeseeable emergency. Until the funds are paid or otherwise made available to the employee, the employee is not obligated to report the deferred salary for income tax purposes.

Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of the participants. Accordingly, the District is in compliance with this legislation. Therefore, these assets are not the legal property of the District, and are not subject to claims of the District’s general creditors.

Since the District has little administrative involvement and does not perform the investing function for this plan, the assets and related liabilities are not shown in the accompanying financial statements.

Note 11 – Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is a member of the Special District Risk Management Authority (SDRMA), an intergovernmental risk sharing joint powers authority created to provide self-insurance programs for California special districts. The purpose of the SDRMA is to arrange and administer programs of self-insured losses and to purchase excess insurance coverage. At June 30, 2021, the District participated in the liability and property programs of the SDRMA as follows:

- General liability – up to \$2,500,000 per occurrence subject to the sub-limits referred to below for Inverse condemnation, sexual abuse or molestation incidents, and sexual harassment losses, group limits and the terms, conditions, deductibles, definitions and exclusions as provided in both the Memorandum and the Liability Coverage Agreement and endorsement thereto. \$500 per occurrence for property damage claims only
- Auto liability – up to \$2,500,000 per accident. \$1,000 per occurrence for property damage losses only
- Public officials and employees’ errors and omissions coverage – up to \$2,500,000 for each wrongful act

Salton Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 11 – Risk Management (Continued)

- Employee benefits liability coverage/Employment practices liability coverage – up to \$2,500,000 for each wrongful act
- Property Coverage – \$800,000,000 per occurrence: all perils, coverages and members combined, subject to aggregate sub-limits and \$1,000 member deductibles
- Boiler and Machinery Coverage – \$100,000,000 blanket limit for sudden and accidental breakdown of fired and unfired pressure vessels, boilers, heating, air conditioning, machinery and equipment, per occurrence at locations reported to SDRMA prior to the loss subject to \$1,000 deductibles
- Uninsured/Underinsured Motorist Coverage – (bodily injury) limit of 1m per accident to a covered individual or anyone occupying an Owned Auto;(property) a limit of \$10,000 per accident
- Employee & Public Official Dishonesty Coverage – up to \$1,000,000 per loss includes theft, forgery or alteration, theft of money & securities inside the premises, robbery or safe burglary of other property inside the premises, outside the premises, computer fraud, funds transfer fraud and money orders and counterfeit money
- Personal Liability Coverage – up to \$500,000 each occurrence, with an annual aggregate of \$500,000 per each elected/appointed board member or director of SDRMA’s Member Agency(s)/District(s)/City(ies) to which the coverage applies. Provided, however, that SDRMA’s liability under all supplemental coverage memorandum affording coverage to all SDRMA members during the memorandum period shall not exceed the collective aggregate amount of \$8,500,000. Member deductible is \$500 per occurrence
- Cyber Coverage – aggregate limit of \$25,000,000 for all SDRMA members combined, as well as all members of a number of other pools other than SDRMA with \$50,000 member deductible
- Cyber Coverage - \$2,000,000 annual aggregate limit of liability for each insured/member for Information Security & Privacy Liability, for claims expenses and penalties for regulatory defense and penalties, for or all damages and claims expenses for website media content liability, for cyber extortion loss, for business interruption loss resulting from security breach, for data recovery costs, \$500,000 annual policy aggregate limit of liability for each insured/member privacy notification costs coverage with \$1,000,000 limit if Beazley vendor services are used, \$500,000 annual aggregate for each insured/member for business interruption loss resulting from system failure, \$750,000 dependent business loss resulting from security failure sublimit
- Worker’s Compensation – maximum limits of liability for all SDRMA Covered Parties due to an “Occurrence”, as a result of Employers Liability shall not exceed \$5,000,000, subject to a deductible. An “Occurrence” arising out of Workers’ Compensation, which is subject to statutory limits, is also subject to a deductible.

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years. There were no reductions in insurance coverage in fiscal year 2021, 2020, and 2019. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no IBNR claims payable as of June 30, 2021, 2020, and 2019.

Salton Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 12 – Contingencies

Litigation

In 2021 The District began an investigation to determine the extent of employee theft Committed against the District. The amount of the theft attributed to the fiscal year ended June 30, 2021, has not been determined. The District is also in litigation to recover a payment made to a former General Manager of the District for \$192,000. The General Manager defaulted, and the District is seeking a default judgement. In the opinion of legal counsel recovery of the judgement may be problematic.

Note 13 – Prior Period Adjustments

A. Government-Wide Financial Statements

The beginning net position at July 1, 2020 of the Government-wide Financial Statements was restated as follows:

	Governmental Activities	Business-Type Activities
Net position at July 1, 2021, as originally reported	\$ 1,559,177	\$ 20,637,422
Prior period adjustments:		
Capital Assets	(756,061)	(18,994,503)
Miscellaneous	(9,520)	45,511
Other post-employment benefits	(99,909)	(441,103)
Net position at July 1, 2021, as restated	\$ 693,687	\$ 1,247,327

B. Governmental Fund Financial Statements

The beginning fund balance at July 1, 2020 of the general fund was restated as follows:

	General Fund
Fund balance at July 1, 2021, as originally reported	\$ 70,179
Prior period adjustments:	
Other post-employment benefits	23,270
Fund balance at July 1, 2021, as restated	\$ 93,449

C. Proprietary Fund Financial Statements

The beginning net position at July 1, 2020 of the proprietary fund was restated as follows:

	Sewer Maintenance	Sewer Construction
Net position at July 1, 2020, as originally reported	\$ 5,407,562	\$ 15,229,860
Prior period adjustments:		
Combine Funds	15,229,860	(15,229,860)
Capital Assets	(18,994,504)	
Miscellaneous	45,512	-
Other post-employment benefits	(441,103)	-
Net position at July 1, 2020, as restated	\$ 1,247,327	\$ -

Salton Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 14 – Subsequent Events

On August 25, 2022, the Local Agency Formation Commission (LAFCO) voted for the dissolution of the District. Under the Cortese Knox-Hertzberg Local government Reorganization Act of 2000 and continued those proceedings through the November 16, 2023. LAFCO requested that SCSD take certain actions to remediate certain issues as provided in the December 2, 2022, Executive officer report. LAFCO agreed to settle the matter on November 16, 2023, without dissolving the District or requiring the payment of any consideration. The settlement agreement provided the District be placed on probation and report to LAFCO on a monthly basis and pass a resolution.

On October 19, 2022 the District's Board of Directors appointed an employee as the new Interim General Manager (Manager). The employee is the son of one of the current board members, who recused himself from voting on the new Manager. An agreement was drafted and the agreed upon salary was \$110,000 per year, which sum shall be paid at such intervals and pursuant to the procedures regularly established, and as they may be amended by the District in its sole discretion. The Manager's duties would commence on January 18, 2023.

During the fiscal year end of June 30, 2023, the manager was paid 59,230 and was due 50,700.

REQUIRED SUPPLEMENTARY INFORMATION

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Salton Community Services District
Statement of Revenues, Expenditures and
Changes in fund Balance-Budget and Actual
For the Year Ended June 30, 2021
General Fund

	<u>Original Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES:			
Taxes	\$ 219,100	\$ 250,193	\$ 31,093
Licenses and permits	-	850	850
Intergovernmental	37,154	62,125	24,971
Charges for services	-	69,043	69,043
Use of money and property	54,000	504	(53,496)
Fines and forfeitures	-	18,379	18,379
Miscellaneous	2,770	8,357	5,587
Total revenues	<u>313,024</u>	<u>409,451</u>	<u>96,427</u>
EXPENDITURES:			
Current:			
Administrative	109,000	235,060	(126,060)
Non-Departmental	88,130		88,130
Fire Department	9,500	(4,691)	14,191
Public Works	35,450	32,878	2,572
Parks & Recreation	70,200	10,753	59,447
Total expenditures	<u>312,280</u>	<u>274,000</u>	<u>38,280</u>
NET CHANGE IN FUND BALANCES	<u>\$ 744</u>	135,451	<u>\$ 134,707</u>
FUND BALANCES:			
Beginning of year, as restated (Note 13)		<u>93,449</u>	
End of year		<u>\$ 228,900</u>	

Notes to the Budgetary Comparison Schedule:

The District follows specific procedures in establishing the budgetary data reflected in the financial statements. Each year the District prepares and submits an operating budget to the Board of Directors no later than June of each year. The basis used to prepare the budget does not differ substantially from the modified accrual basis of accounting. The adopted budget becomes operative on July 1. The Board of Directors must approve all supplemental appropriations to the budget and transfers between major accounts.

Salton Community Services District
Statement of Revenues, Expenditures and
Changes in fund Balance-Budget and Actual
For the Year Ended June 30, 2021
Channel Maintenance

	Original Budget	Actual	Variance Positive (Negative)
REVENUES:			
Taxes	\$ -	\$ 229	\$ 229
Use of money and property	-	74	74
Total revenues	-	303	303
EXPENDITURES:			
Current:			
Administrative	-	641,831	(641,831)
Total expenditures	-	641,831	(641,831)
NET CHANGE IN FUND BALANCES	\$ -	(641,528)	\$ (641,528)
FUND BALANCES:			
Beginning of year, as restated		645,031	
End of year		\$ 3,503	

Notes to the Budgetary Comparison Schedule:

The District follows specific procedures in establishing the budgetary data reflected in the financial statements. Each year the District prepares and submits an operating budget to the Board of Directors no later than June of each year. The basis used to prepare the budget does not differ substantially from the modified accrual basis of accounting. The adopted budget becomes operative on July 1. The Board of Directors must approve all supplemental appropriations to the budget and transfers between major accounts.

Salton Community Services District
Required Supplementary Information (Unaudited)
Schedule of the District's Proportionate Share of the Plan's Net Pension Liability (Asset)
For the Year Ended June 30, 2021

Last Ten Fiscal Years

California Public Employees' Retirement System (CalPERS)

Measurement Date:	Miscellaneous Plans						
	June 30, 2021 ¹	June 30, 2020 ¹	June 30, 2019 ¹	June 30, 2018 ¹	June 30, 2017 ¹	June 30, 2016 ¹	June 30, 2015 ¹
District's Proportion of the Net Pension Liability	0.0123%	0.0114%	0.0106%	0.0106%	0.0102%	0.0074%	0.0058%
District's Proportionate Share of the Net Pension Liability	\$ 518,021	\$ 455,534	\$ 397,617	\$ 419,083	\$ 353,431	\$ 201,654	\$ 142,579
District's Covered-Employee Payroll	\$ 742,541	\$ 630,683	\$ 634,341	\$ 554,370	\$ 547,936	\$ 549,510	\$ 568,458
District's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll	69.76%	72.23%	62.68%	75.60%	64.50%	36.70%	25.08%
Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	77.71%	77.73%	77.89%	75.39%	75.87%	79.89%	81.15%

Measurement Date:	Safety Plans						
	June 30, 2021 ¹	June 30, 2020 ¹	June 30, 2019 ¹	June 30, 2018 ¹	June 30, 2017 ¹	June 30, 2016 ¹	June 30, 2015 ¹
District's Proportion of the Net Pension Liability	-0.0075%	-0.0076%	-0.0077%	-0.0070%	-0.0072%	-0.0091%	-0.0012%
District's Proportionate Share of the Net Pension Liability	\$ (498,143)	\$ (476,140)	\$ (449,408)	\$ (415,740)	\$ (374,003)	\$ (374,390)	\$ (375,335)
District's Covered-Employee Payroll	\$ 55,360	\$ 49,947	\$ 56,208	\$ 54,566	\$ 54,026	\$ 52,452	\$ 34,343
District's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll	0.00%	-953.29%	-799.54%	-761.90%	-692.26%	-713.78%	-1092.90%
Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	73.12%	73.37%	73.39%	71.74%	72.69%	77.27%	78.83%

Salton Community Services District
Required Supplementary Information (Unaudited)
For the Year Ended June 30, 2021
Schedule of Contributions

Last Ten Fiscal Years

California Public Employees' Retirement System (CalPERS)

Fiscal Year:	Miscellaneous Plans						
	June 30, 2021¹	June 30, 2020¹	June 30, 2019¹	June 30, 2018¹	June 30, 2017¹	June 30, 2016¹	June 30, 2015¹
Actuarially Determined Contribution ²	\$ 55,869	\$ 60,293	\$ 46,278	\$ 46,833	\$ 40,922	\$ 38,917	\$ 39,720
Contribution in Relation to the Actuarially Determined Contribution ²	(55,869)	(60,293)	(46,278)	(46,833)	(40,922)	(38,917)	(39,720)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's Covered-Employee Payroll ³	\$ 690,003	\$ 742,541	\$ 630,683	\$ 634,341	\$ 554,370	\$ 547,936	\$ 549,510
Contributions as a Percentage of Covered-Employee Payroll	8.097%	8.120%	7.338%	7.383%	7.382%	7.102%	7.228%
	Safety Plans						
Fiscal Year:	June 30, 2021¹	June 30, 2020¹	June 30, 2019¹	June 30, 2018¹	June 30, 2017¹	June 30, 2016¹	June 30, 2015¹
Actuarially Determined Contribution ²	\$ -	\$ 5,645	\$ 5,310	\$ 3,392	\$ 3,500	\$ 3,023	\$ 2,967
Contribution in Relation to the Actuarially Determined Contribution ²	-	(5,645)	(5,310)	(3,392)	(3,500)	(3,023)	(2,967)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's Covered-Employee Payroll ³	\$ -	\$ 55,360	\$ 49,947	\$ 56,208	\$ 54,566	\$ 54,026	\$ 52,452
Contributions as a Percentage of Covered-Employee Payroll	0.000%	10.197%	10.631%	6.035%	6.414%	5.595%	5.657%

¹ Historical information is presented only for measurement periods for which GASB No. 68 is applicable.

² Employers are assumed to make contributions equal to the actuarially determined contributions (which is 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 plan exceed the actuarial determined contributions. CalPERS has determined that employer obligations referred to as *side-funds* are not considered separately financed specific liabilities.

³ Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB No. 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.

Notes to the Schedule:

Change in Benefit Terms: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013 as they have minimal cost impact. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes)

Salton Community Services District
Required Supplementary Information (Unaudited)
Schedule of the District's Changes in Net OPEB Liability and Related Ratios
Schedule of Contributions

	2020-21
Measurement period	
Total OPEB liability	
Service cost	\$ 10,015
Interest	10,200
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit payments, including refunds of employee contributions	(39,713)
Net change in total OPEB liability	(19,498)
Total OPEB liability - beginning	541,012
Total OPEB liability - ending (a)	\$ 521,514
 OPEB fiduciary net position	
Contributions	\$ 39,713
Net investment income	-
Benefit payments, including refunds of employee contributions	(39,713)
Other	-
Net change in plan fiduciary net position	-
Plan fiduciary net position - beginning	-
Plan fiduciary net position - ending (b)	\$ -
District's net OPEB liability - ending (a) - (b)	\$ 521,514
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%
Covered payroll	\$ 559,280
District's net OPEB liability as a percentage of covered payroll	93.25%

Salton Community Services District
Required Supplementary Information (Unaudited)
Schedule of the District's Contributions to the OPEB Plan
For the Year Ended June 30, 2021

Other Post-Employment Benefits (OPEB)

Fiscal Year:	<u>2020-21</u>
Actuarially Determined Contribution	\$ 42,983
Contribution in Relation to the Actuarially Determined Contribution	<u>(34,041)</u>
Contribution Deficiency (Excess)	<u>\$ 8,942</u>
District's Covered-Employee Payroll	<u>\$ 559,280</u>
Contributions as a Percentage of Covered-Employee Payroll	<u>6.09%</u>