

Salton Community Services District

Salton City, California

Basic Financial Statements

For the Year Ended June 30, 2025

**Salton Community Services District
Basic Financial Statements
For the Year Ended June 30, 2025**

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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

Opinions

We have audited the accompanying financial statements of the governmental activities, business type activities and each major fund of the Salton Community Services District as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Salton Community Services District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities and each major fund of Salton Community Services District, as of June 30, 2025, and the respective changes in financial position and cash flows, thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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 opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Salton Community Services District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America 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 the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, we:

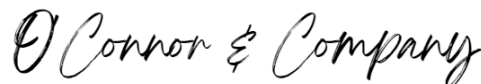
- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 3-6) and the required supplementary information (page 55-61), as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



O'Connor & Company

Novato, California
September 30, 2026

Salton Community Services District
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2025

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, 2025. 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 increased 29.91%, or \$750,913 from the prior year's net position of \$2,510,477 to \$3,261,390, as a result of a decrease in governmental activities expenses and decrease in long-term liabilities and pension liability.
- Total revenues from all sources decreased by 3.58%, or \$119,540 from \$3,359,827 to \$3,218,139, from the prior year, primarily due to decrease in sewer fee revenue from business-type activities which is \$130,086.
- Total expenses for the District's operations decreased by 9.08%, or \$246,285, from \$2,713,511 to \$2,467,226, primarily due to reduced legal activities in FY25.

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, 2025

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 \$3,261,390 as of June 30, 2025.

Condensed Statement of Net Position

	Governmental Activities		Business-Type Activities		Total	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
Assets:						
Current assets	\$ 84,615	\$ 20,326	\$ 2,645,877	\$ 2,146,268	\$ 2,730,492	\$ 2,166,594
Noncurrent assets	1,675,545	1,165,182	-	-	1,675,545	1,165,182
Capital assets, net	70,900	70,250	1,420,985	1,426,744	1,491,885	1,496,994
Total assets	<u>1,831,060</u>	<u>1,255,758</u>	<u>4,066,862</u>	<u>3,573,012</u>	<u>5,897,922</u>	<u>4,828,770</u>
Deferred Outflows of Resources	<u>85,712</u>	<u>84,742</u>	<u>235,525</u>	<u>341,952</u>	<u>321,237</u>	<u>426,694</u>
Liabilities:						
Current liabilities	24,215	20,520	188,022	171,567	212,237	192,087
Noncurrent liabilities	62,251	114,591	1,433,941	1,043,373	1,496,192	1,157,964
Total liabilities	<u>86,466</u>	<u>135,111</u>	<u>1,621,963</u>	<u>1,214,940</u>	<u>1,708,429</u>	<u>1,350,051</u>
Deferred Inflows of Resources	<u>1,221,906</u>	<u>1,171,436</u>	<u>27,434</u>	<u>223,500</u>	<u>1,249,340</u>	<u>1,394,936</u>
Net Position:						
Net investment in capital assets	70,900	70,250	785,488	693,176	856,388	763,426
Restricted for pension	387,150	-	-	-	387,150	-
Unrestricted (deficit)	150,350	(36,297)	1,867,502	1,783,348	2,017,852	1,747,051
Total net position	<u>\$ 608,400</u>	<u>\$ 33,953</u>	<u>\$ 2,652,990</u>	<u>\$ 2,476,524</u>	<u>\$ 3,261,390</u>	<u>\$ 2,510,477</u>

Salton Community Services District
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2025

At the end of fiscal year 2025, the District shows a positive balance in its unrestricted net position of \$2,017,852.

Condensed Statement of Activities

	Governmental Activities		Business-Type Activities		Total	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
Revenues:						
Charges for services	\$ 33,497	\$ 42,741	\$ 2,772,064	\$ 2,902,150	\$ 2,805,561	\$ 2,944,891
Operating grants and contributions	938	224	-	8,384	938	8,608
Capital grants and contributions	-	22,148	-	-	-	22,148
General revenues	394,707	371,714	16,933	12,466	411,640	384,180
Total revenues	429,142	436,827	2,788,997	2,923,000	3,218,139	3,359,827
Expenses:						
Operations	235,004	549,024	1,994,851	1,937,382	2,229,855	2,486,406
Depreciation expense	-	-	196,283	208,595	196,283	208,595
Interest expense	-	-	41,088	18,510	41,088	18,510
Total expenses	235,004	549,024	2,232,222	2,164,487	2,467,226	2,713,511
Change in net position before transfers	194,138	(112,197)	556,775	758,513	750,913	646,316
Transfers	380,309	-	(380,309)	-	-	-
Change in net position	574,447	(112,197)	176,466	758,513	750,913	646,316
Net Position:						
Beginning of year	33,953	146,150	2,476,524	1,718,011	2,510,477	1,864,161
End of year	<u>\$ 608,400</u>	<u>\$ 33,953</u>	<u>\$ 2,652,990</u>	<u>\$ 2,476,524</u>	<u>\$ 3,261,390</u>	<u>\$ 2,510,477</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 increased by \$750,913, during the fiscal year ended June 30, 2025.

Total revenues from all sources decreased by 4.22%, or \$141,688 from \$3,359,827 to \$3,218,139, from the prior year, primarily due to decrease in sewer fee revenue in the amount of \$130,086 from business-type activities.

Total expenses for the District's operations decreased by 9.08%, or \$246,285, from \$2,713,511 to \$2,467,226, primarily due to reduced legal activities in FY25.

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, 2025, the District's only government fund was General Fund. The General Fund reported a total fund balance of \$138,477, of which, constituted the District's *unassigned fund balance*.

Salton Community Services District
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2025

Capital Asset Administration

Capital assets at the end of fiscal year 2025 and 2024 were as follows:

	Governmental Activities		Business-Type Activities		Total	
	Balance	Balance	Balance	Balance	Balance	Balance
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
Building	\$ 16,180	\$ 17,409	\$ -	\$ -	\$ 16,180	\$ 17,409
Pump Stations	-	-	112,072	53,751	112,072	53,751
Sewers	-	-	68,849	74,145	68,849	74,145
Equipment	28,810	30,901	680,383	616,438	709,193	647,339
Motor Vehicles	-	-	559,681	682,410	559,681	682,410
Structures and Improvements	-	-	-	-	-	-
Construction in Progress	25,910	21,940	-	-	25,910	21,940
Total capital assets, net	<u>\$ 70,900</u>	<u>\$ 70,250</u>	<u>\$ 1,420,985</u>	<u>\$ 1,426,744</u>	<u>\$ 1,491,885</u>	<u>\$ 1,496,994</u>

At the end of fiscal year 2025, the District's capital assets amounted to \$1,491,885 (net of accumulated depreciation). Major capital asset additions during the year include park equipment and field improvements. See Note 6 for further information on the District's capital assets.

Debt Administration

Long-term debt at the end of fiscal year 2025 and 2024 were as follows:

Finance Purchase Payable

	Business-Type Activities	
	Balance	Balance
	June 30, 2025	June 30, 2024
Finance Purchase Payable	<u>\$ 635,497</u>	<u>\$ 733,568</u>

At the end of fiscal year 2025, the District's long-term debt amounted to \$635,497. Major deletion during the year include repayment of the payable in the amount of \$98,071. See Note 8 for further information on the District's long-term debt.

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 City, 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, 2025

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>ASSETS</u>			
Current assets:			
Cash and investments	\$ 553,406	\$ 2,020,970	\$ 2,574,376
Accounts receivable	21,238	109,246	130,484
Accrued interest	721	3,751	4,472
Lease receivable - due within one year	21,160	-	21,160
Internal balances	(511,910)	511,910	-
Total current assets	84,615	2,645,877	2,730,492
Noncurrent assets:			
Lease receivable - due in more than one year	1,144,021	-	1,144,021
Net pension assets	531,524	-	531,524
Capital assets – not being depreciated	25,910	-	25,910
Capital assets – being depreciated, net	44,990	1,420,985	1,465,975
Total capital assets	70,900	1,420,985	1,491,885
Total noncurrent assets	1,746,445	1,420,985	3,167,430
Total assets	1,831,060	4,066,862	5,897,922
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Pension related	85,712	235,525	321,237
Total deferred outflows of resources	85,712	235,525	321,237
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable and accrued expenses	16,924	70,073	86,997
Accrued interest payable	-	4,718	4,718
Compensated absences - due within one year	7,291	33,338	40,629
Notes payable - due within one year	-	79,893	79,893
Total current liabilities	24,215	188,022	212,237
Noncurrent liabilities:			
Compensated absences	12,410	62,936	75,346
Notes payable - due in more than one year	-	555,604	555,604
Net pension liability	-	588,348	588,348
Net other postemployment benefits liability	49,841	227,053	276,894
Total noncurrent liabilities	62,251	1,433,941	1,496,192
Total liabilities	86,466	1,621,963	1,708,429
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Pension related	144,374	7,859	152,233
Other postemployment benefits related	4,297	19,575	23,872
Lease related	1,073,235	-	1,073,235
Total deferred inflows of resources	1,221,906	27,434	1,249,340
<u>NET POSITION</u>			
Net investment in capital assets	70,900	785,488	856,388
Restricted for pension	387,150	-	387,150
Unrestricted	150,350	1,867,502	2,017,852
Total net position	\$ 608,400	\$ 2,652,990	\$ 3,261,390

See accompanying Notes to the Basic Financial Statements.

Salton Community Services District
Statement of Activities
For the Year Ended June 30, 2025

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
Administrative	\$ 145,143	\$ -	\$ -	\$ -
Fire	(61,126)	15,000	-	-
Public works	128,789	18,497	938	-
Parks and recreation	22,198	-	-	-
Total governmental activities	<u>235,004</u>	<u>33,497</u>	<u>938</u>	<u>-</u>
Business-type activities:				
Sewer maintenance	<u>2,232,222</u>	<u>2,772,064</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>2,232,222</u>	<u>2,772,064</u>	<u>-</u>	<u>-</u>
Total primary government	<u><u>\$ 2,467,226</u></u>	<u><u>\$ 2,805,561</u></u>	<u><u>\$ 938</u></u>	<u><u>\$ -</u></u>

See accompanying Notes to the Basic Financial Statements.

Salton Community Services District
Statement of Activities (Continued)
For the Year Ended June 30, 2025

Functions/Programs	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-Type Activities	Total
Primary government:			
Governmental activities:			
Administrative	\$ (145,143)	\$ -	\$ (145,143)
Fire	76,126	-	76,126
Public works	(109,354)	-	(109,354)
Parks and recreation	(22,198)	-	(22,198)
Total governmental activities	(200,569)	-	(200,569)
Business-type activities:			
Sewer maintenance	-	539,842	539,842
Total business-type activities	-	539,842	539,842
Total primary government	(200,569)	539,842	339,273
General revenues:			
Taxes	334,517	-	334,517
Investment earning	23,776	16,933	40,709
Miscellaneous revenue	36,414	-	36,414
Total general revenues	394,707	16,933	411,640
Transfers	380,309	(380,309)	-
Total general revenues and transfers	775,016	(363,376)	411,640
Change in net position	574,447	176,466	750,913
Net position:			
Beginning of year	33,953	2,476,524	2,510,477
End of year	<u>\$ 608,400</u>	<u>\$ 2,652,990</u>	<u>\$ 3,261,390</u>

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GOVERNMENTAL FUND FINANCIAL STATEMENTS

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Salton Community Services District
Balance Sheet
Governmental Fund
June 30, 2025

Assets	General Fund
Assets:	
Cash and investments	\$ 553,406
Accrued interest	721
Accounts receivable	21,238
Lease receivable	1,165,181
Total assets	\$ 1,740,546
Liabilities, Deferred Inflows of Resources and Fund Balance	
Liabilities:	
Accounts payable and accrued expenses	\$ 16,924
Due to other funds	511,910
Total liabilities	528,834
Deferred Inflows of Resources:	
Lease related	1,073,235
Total deferred inflows of resources	1,073,235
Fund balance:	
Unassigned	138,477
Total fund balance	138,477
Total liabilities, deferred inflows of resources and fund balance	\$ 1,740,546

Salton Community Services District
Reconciliation of the Balance Sheet of Governmental Fund to the
Government-Wide Statement of Net Position
June 30, 2025

Total Fund Balances – Total Governmental Fund	\$ 138,477
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.	70,900
Long-term liabilities applicable to the City's governmental activities 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.	
Compensated absences	(19,701)
Net pension liabilities and the related deferred outflows of resources and deferred inflows of resources are not due and payable in the current period or not available for current expenditures and are not reported in the governmental fund financial statements:	
Deferred outflows of resources related to pension	85,712
Net pension asset	531,524
Deferred inflows of resources related to pension	(144,374)
Net OPEB liabilities and the related deferred inflows of resources are not due and payable in the current period or not available for current expenditures and are not reported in the governmental fund financial statements:	
Net OPEB liabilities	(49,841)
Deferred inflows of resources related to OPEB	(4,297)
Net Position of Governmental Activities	<u><u>\$ 608,400</u></u>

Salton Community Services District
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Fund
For the Year Ended June 30, 2025

	General Fund
Revenues:	
Taxes	\$ 334,334
Intergovernmental	32,197
Charges for services	1,483
Use of money and property	24,714
Miscellaneous	36,414
Total revenues	429,142
Expenditures:	
Current:	
Administrative	173,639
Fire	17,490
Public works	125,155
Parks and recreation	22,198
Capital outlay	9,513
Total expenditures	347,995
Net change in fund balance	81,147
Fund balance:	
Beginning of year	57,330
End of year	\$ 138,477

Salton Community Services District
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balance of Governmental Fund to the Statement of Activities
For the Year Ended June 30, 2025

Net Changes in Fund Balance – Total Governmental Fund	\$ 81,147
Amounts reported for governmental activities in the statement of activities is different because:	
Governmental fund 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	9,513
Depreciation expense	(8,863)
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 fund as follows:	
Net change in compensated absences	14,429
Other postemployment benefits credit	18,389
Pension credit	79,523
Transfers of net pension assets and related deferred items from business-type activities	380,309
Total adjustments	<u>493,300</u>
Change in Net Position of Governmental Activities	<u><u>\$ 574,447</u></u>

PROPRIETARY FUND FINANCIAL STATEMENTS

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Salton Community Services District
Statement of Net Position
Proprietary Fund
June 30, 2025

	Sewer Maintenance Enterprise Fund
ASSETS	
Current assets:	
Cash and investments	\$ 2,020,970
Accounts receivable	109,246
Accrued interest	3,751
Due from other funds	511,910
Total current assets	2,645,877
Noncurrent assets:	
Capital assets – being depreciated, net	1,420,985
Total noncurrent assets	1,420,985
Total assets	4,066,862
DEFERRED OUTFLOWS OF RESOURCES	
Pension related	235,525
Total deferred outflows of resources	235,525
LIABILITIES	
Current liabilities:	
Accounts payable and accrued expenses	70,073
Accrued interest payable	4,718
Compensated absences - due within one year	33,338
Notes payable, due within one year	79,893
Total current liabilities	188,022
Noncurrent liabilities:	
Compensated absences - due in more than one year	62,936
Notes payable, due in more than one year	555,604
Net pension liability	588,348
Net other postemployment benefits liability	227,053
Total noncurrent liabilities	1,433,941
Total liabilities	1,621,963
DEFERRED INFLOWS OF RESOURCES	
Pension related	7,859
Other postemployment benefits related	19,575
Total deferred inflows of resources	27,434
NET POSITION	
Net investment in capital assets	785,488
Unrestricted	1,867,502
Total net position	\$ 2,652,990

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Salton Community Services District
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Fund
For the Year Ended June 30, 2025

	Sewer Maintenance Enterprise Fund
Operating revenues:	
Charges for services	\$ 2,344,405
Miscellaneous	427,659
Total operating revenues	2,772,064
Operating expenses:	
Personnel services	1,288,903
Utilities	126,149
Contractual services	132,939
Administrative services	235,608
Repair and maintenance	135,845
Supplies	23,508
Treatment and disposal	51,899
Depreciation	196,283
Total operating expenses	2,191,134
Operating income	580,930
Nonoperating revenues (expenses):	
Investment income	16,933
Interest expense	(41,088)
Total nonoperating revenues (expenses)	(24,155)
(Income) before transfers	556,775
Transfers:	
Transfers out	(380,309)
Total transfers	(380,309)
Change in net position	176,466
Net position:	
Beginning of year	2,476,524
End of year	\$ 2,652,990

Salton Community Services District
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2025

	Sewer Maintenance Enterprise Fund
Cash flows from operating activities:	
Cash receipts from customers and others	\$ 2,746,117
Cash paid to employees for salaries and wages	(894,975)
Cash paid to vendors and suppliers	(683,408)
Net cash provided by operating activities	1,167,734
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(190,524)
Principal payments on notes payable	(98,071)
Interest payments on notes payable	(42,101)
Net cash (used in) capital and related financing activities	(330,696)
Cash flows from noncapital financing activities:	
Cash provided to other fund	(483,907)
Net cash (used in) noncapital financing activities	(483,907)
Cash flows from investing activities:	
Income received	16,919
Net cash provided by investing activities	16,919
Net change in cash and cash equivalents	370,050
Cash and cash equivalents:	
Beginning of year	1,650,920
End of year	<u><u>\$ 2,020,970</u></u>
Reconciliation of cash and cash equivalents:	
Cash and investments	<u><u>\$ 2,020,970</u></u>

(Continued)

Salton Community Services District
Statement of Cash Flows (Continued)
Proprietary Fund
For the Year Ended June 30, 2025

	<u>Sewer Maintenance Enterprise Fund</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 580,930
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	196,283
Changes in account balances:	
(Increase) decrease in assets and deferred outflows or resources:	
Accounts receivable, net	(25,947)
Pension related outflows of resources	106,427
Increase (decrease) in liabilities and deferred inflows of resources:	
Accounts payable	22,540
Accrued payroll	3,042
Compensated absences	23,667
Net pension liability	492,022
Net OPEB liability	(35,164)
Pension related inflows of resources	(185,195)
Other postemployment benefits related inflows of resources	(10,871)
Total adjustments	<u>586,804</u>
Net cash provided by operating activities	<u>\$ 1,167,734</u>
	(Concluded)

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Salton Community Services District
Notes to the Financial Statements
For the Year Ended June 30, 2025

Note 1 – Summary of Significant Accounting Policies

The financial statements of Salton Community Services District (the “District”) have been prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”), 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 and construct recreation facilities.
5. Organize and 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 of Directors approved and authorized the execution and filing of the organizational documents relating to the Salton Community Services District Financing Corporation (the “Corporation”). Although the Corporation is legally separate from the District, it has been “blended” as though it is part of the District because the component unit’s governing body is substantially the same as the District’s and there is a financial benefit or burden relationship between the District and the component unit; management of the District has operational responsibilities for the component unit; and/or the component unit provides services entirely, or almost entirely, to the District or otherwise exclusively, or almost exclusively, benefits the District, even though it does not provide services directly to it.

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.

Salton Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2025

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 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.

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 fund:

General Fund – 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.

Salton Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2025

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. Nonoperating 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 a major proprietary fund:

Sewer Maintenance Enterprise Fund – 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.

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.

Salton Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2025

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

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. Leases

The District is a lessor for leases of buildings and land and recognizes leases receivable and deferred inflows of resources in the financial statements. Variable payments based on future performance or usage of the underlying asset are not included in the measurement of the lease receivable.

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

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

- The District uses the average of the LAIF rate and the incremental borrowing rate (IBR) provided by the District's financial institution for existing leases or the current rate at the time a new lease is executed.
- The lease term includes the noncancelable period of the lease plus any option periods that are likely to be exercised.
- Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Salton Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2025

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

H. 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

I. 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 a consumption of net assets that apply to future periods.

Deferred Inflows of Resources represent an acquisition of net assets that apply to future periods.

J. Compensated Absences

Compensated absences comprise vested accumulated vacation and sick leave. The District's liability for compensated absences is recorded in governmental and business-type activities as appropriate. The liability for compensated absences is determined annually. The liability for compensated absences is recognized as leave is earned, based on the employee's pay rate in effect at the financial statement date, including any applicable salary-related costs. The liability includes only leave attributable to services already rendered and that is more likely than not to be paid.

K. 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. 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:

<u>CalPERS</u>	
Valuation Date	June 30, 2023
Measurement Date	June 30, 2024
Measurement Period	July 1, 2023 to June 30, 2024

Salton Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2025

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

K. Pensions (Continued)

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.

L. 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.

Valuation Date	June 30, 2023
Measurement Date	June 30, 2025
Measurement Period	July 1, 2024 to June 30, 2025

Gains and losses related to changes in total OPEB liability 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 gains and losses 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.

M. 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.

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.

Salton Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2025

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

N. 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. The unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

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

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.

O. Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP 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.

Salton Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2025

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

P. Implementation of New GASB Pronouncements

GASB Statement No. 101

In June 2022, GASB issued Statement No. 101, Compensated Absences. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. Implementation of this Statement did not have a significant effect on the District's financial reporting for the fiscal year ended June 30, 2025.

GASB Statement No. 102

In December 2023, GASB issued Statement No. 102, Certain Risk Disclosures. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints which may limit a government's ability to acquire resources or control spending. Application of this statement did not have a significant effect on the District's financial reporting for the fiscal year ended June 30, 2025.

Q. Change in Accounting Estimate

On July 1, 2024, the District changed its allocation estimate for CalPERS net pension liabilities (assets) and the related deferred items. The change is presented in the financial statements prospectively in accordance with GASB Statement No. 100 and the change resulted in transfers of CalPERS safety plan net pension assets and related deferred items to governmental activities. See Note 5A for more detail.

Note 2 – Cash and Investments

Cash and investments as of June 30, 2025 consisted of the following:

<u>Description</u>	<u>Balance</u>
Cash on hand	\$ 1,045
Demand Accounts	2,164,541
Local Agency Investment Fund	408,790
Total	<u>\$ 2,574,376</u>

A. Demand Deposits

At June 30, 2025, the carrying amount of the District's demand deposits was \$2,164,541 and the financial institution balance was \$2,200,683. The \$36,142 net difference as of June 30, 2025 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.

Salton Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 2 – Cash and Investments (Continued)

A. Demand Deposits (Continued)

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.

B. Investments

The District's investments as of June 30, 2025 were as follows:

Type of Investments	Credit Rating	Fair Value	Maturity
			12 Months or Less
Local Agency Investment Fund	N/A	\$ 408,790	\$ 408,790
Total investments		<u>\$ 408,790</u>	<u>\$ 408,790</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 reported on an amortized cost basis, which approximates fair value.

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, 2025 the District's investment in the LAIF was not rated as noted in the table above.

Salton Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 2 – Cash and Investments (Continued)

E. Risk Disclosures (Continued)

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.

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 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, 2025, 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.

Note 3 – Accounts Receivable

The accounts receivable consists of the following balances as of June 30, 2025:

<u>Description</u>	<u>General Fund</u>	<u>Sewer Maintenance</u>	<u>Total</u>
Accounts receivable, net	\$ 21,238	\$ 109,246	\$ 130,484

Salton Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 4 – Leases Receivable

The District leases various types of property including land, and buildings. Leases receivable consist of agreements with other entities for the “right-to-use” the underlying assets at various locations owned by the District. The remaining terms of the agreements range from 27 to 28 years. The interest rates used calculated the net present value of the lease receivable ranged from 1.834% to 1.844%.

For the fiscal year ended June 30, 2025, the District recognized \$42,815 in lease revenue and \$21,460 in interest revenue, and the outstanding net present value of the lease receivable amount is \$1,165,181.

At June 30, 2025, the required payments for these leases, including interest, are:

Fiscal Year	Principal	Interest	Total
2026	\$ 21,160	\$ 21,079	\$ 42,239
2027	25,185	20,629	45,814
2028	26,088	20,160	46,248
2029	27,018	19,672	46,690
2030	27,974	19,167	47,141
2031-2035	170,324	86,958	257,282
2036-2040	221,380	68,881	290,261
2041-2045	281,955	45,661	327,616
2046-2050	321,941	16,594	338,535
2051	42,156	64	42,220
Total	\$ 1,165,181	\$ 318,865	\$ 1,484,046

	Balance July, 1 2024	Additions	Deletions	Balance June 30, 2025
Lease deferred inflow amortization	\$ 1,116,050	\$ -	\$ (42,815)	\$ 1,073,235

Note 5 – Interfund Transactions

A. Transfers In/(Out)

	Transfers In	Transfers Out
		Business-type Activities
Governmental activities		\$ 380,309

The District had previously allocated the safety plan to the governmental and business-type activities based on total pension contribution between miscellaneous and safety plan. The District changed its accounting estimates and started allocating the safety plan to governmental activities only on July 1, 2024. As of the result, the District reported transfers out from business-type activities (Sewer Maintenance Enterprise Fund) to governmental activities to reporting CalPERS safety plan net pension assets and related deferred items in governmental activities only.

Salton Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 5 – Interfund Transactions (Continued)

B. Due To/(From) Other Funds

	Due to Other Funds
	General Fund
Due From Other Funds	
Sewer Maintenance	\$ 511,910

Current interfund balances arise in the normal course of operations to cover admin and payroll related costs and are expected to be repaid after the end of the fiscal year.

Note 6 – Capital Assets

A. Governmental Activities

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

	Balance July 1, 2024	Additions	Deletions/ Transfers	Balance June 30, 2025
Non-depreciable assets:				
Construction-in progress	\$ 21,940	\$ 3,970	\$ -	\$ 25,910
Total non-depreciable assets	21,940	3,970	-	25,910
Depreciable assets:				
Buildings	477,127	-	-	477,127
Equipment	172,736	5,543	-	178,279
Total depreciable assets	649,863	5,543	-	655,406
Accumulated depreciation:				
Buildings	(459,718)	(1,229)	-	(460,947)
Equipment	(141,835)	(7,634)	-	(149,469)
Total accumulated depreciation	(601,553)	(8,863)	-	(610,416)
Total depreciable assets, net	48,310	(3,320)	-	44,990
Total capital assets, net	\$ 70,250	\$ 650	\$ -	\$ 70,900

Depreciation expense in the amount of \$8,863 was charged to public works in the governmental activities.

Salton Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 6 – Capital Assets (Continued)

B. Business-type Activities

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

	Balance July 1, 2024	Additions	Deletions/ Transfers	Balance June 30, 2025
Depreciable assets:				
Office Building	\$ 1,196,853	\$ -	\$ -	\$ 1,196,853
Office Equipment	11,813	-	-	11,813
Pump Stations	1,786,163	62,221	-	1,848,384
Sewers	2,786,725	-	-	2,786,725
Equipment	1,321,035	128,303	-	1,449,338
Structures & Improvements	533,874	-	-	533,874
Motor Vehicles	1,914,897	-	-	1,914,897
Total depreciable assets	9,551,360	190,524	-	9,741,884
Accumulated depreciation:				
Office Building	(1,196,853)	-	-	(1,196,853)
Office Equipment	(3,881)	(881)	-	(4,762)
Pump Stations	(1,732,412)	(3,900)	-	(1,736,312)
Sewers	(2,712,580)	(5,296)	-	(2,717,876)
Equipment	(712,529)	(63,477)	-	(776,006)
Structures & Improvements	(533,874)	-	-	(533,874)
Motor Vehicles	(1,232,487)	(122,729)	-	(1,355,216)
Total accumulated depreciation	(8,124,616)	(196,283)	-	(8,320,899)
Total depreciable assets, net	1,426,744	(5,759)	-	1,420,985
Total capital assets, net	\$ 1,426,744	\$ (5,759)	\$ -	\$ 1,420,985

Depreciation expense in the amount of \$196,283 was charged to Sewer Maintenance in the business-type activities.

Note 7 – Compensated Absences

The summary of changes to the compensated absences for the year ended June 30, 2025 were as follows:

	Balance July 1, 2024	Net Changes	Balance June 30, 2025	Current Portion	Long-term Portion
Governmental activities	\$ 34,130	\$ (14,429)	\$ 19,701	\$ 7,291	\$ 12,410
Business-type activities	72,607	23,667	96,274	33,338	62,936
Total	\$ 106,737	\$ 9,238	\$ 115,975	\$ 40,629	\$ 75,346

Salton Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 8 – Loan and Finance Purchase Payable

Summary of changes in loans and finance purchase payable for the year ended June 30, 2025 are as follows:

	Balance July 1, 2024	Additions	Deletions	Balance June 30, 2025	Current Portion	Long-term Portion
Business-type activities	\$ 733,568	\$ -	\$ (98,071)	\$ 635,497	\$ 79,893	\$ 555,604

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. The outstanding balance on the loan at June 30, 2025, was \$499,262.

In 2020, the District entered into a \$256,685 financing agreement to finance the purchase of a truck and machinery equipment. The financing agreement 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 \$5,351 on the 9th day of the months of July, August, September and October. The outstanding balance on the financing agreement was paid off during the year ended June 30, 2025.

In 2021, the District entered into a \$448,490 financing agreement to finance the purchase of machinery equipment. The financing agreement 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 \$71,385 on the 1st day of February. The outstanding balance on the financing agreement at June 30, 2025, was \$136,235.

Future loan and financing payments are as follows:

Fiscal Year	Principal	Interest	Total
2026	\$ 79,893	\$ 38,874	\$ 118,767
2027	82,953	35,814	118,767
2028	14,765	32,618	47,383
2029	15,833	31,550	47,383
2030	16,977	30,406	47,383
2031-2035	105,168	131,747	236,915
2036-2040	149,089	87,826	236,915
2041-2045	170,819	26,610	197,429
Total	\$ 635,497	\$ 415,445	\$ 1,050,942

Note 9 – Net Pension Liability and Defined Benefit Pension Plan

A. General Information about the Pension Plans

Plan Description

The District contributes to the California Public Employees' Retirement System ("CalPERS"), a cost-sharing multiple-employer defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by State statute and District ordinance. Copies of the CalPERS annual financial report may be obtained from <https://www.calpers.ca.gov/page/forms-publications>.

Salton Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 9 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

A. General Information about the Pension Plans (Continued)

Employees Covered by Benefit Terms

At valuation date of June 30, 2023, the following employees were covered by the benefit terms:

	Miscellaneous	Misc PEPRA	Safety	Safety Fire PERPA
Active employees	3	8	-	-
Transferred and terminated employees	2	1	-	-
Separated	8	13	1	1
Retired Employees and Beneficiaries	14	1	-	-
Total	27	23	1	1

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 for measurement period ended June 30, 2024, are summarized as follows:

	Miscellaneous		Safety	
	Prior to January 1, 2013	On or after January 1, 2013	Prior to January 1, 2013	Prior to January 1, 2013
Hire date				
Benefit formula	2.7% at 60	2.7% @ 60	.5% @ 55	2% @ 57
Benefit vesting schedule	5-years or service	5-years or service	5-years or service	5-years or service
Benefits payments	monthly for life	monthly for life	monthly for life	monthly for life
Retirement age	50 - 67	50 - 67	50 to 55	50 to 55
Monthly benefits, as a % of eligible com	1.1% to 2.4%	1.0% to 2.5%	1.8% to 2.5%	1.4% to 2.0%
Required member contribution rates	7.00%	7.75%	N/A	N/A
Required employer contribution rates	10.66%	7.68%	0.00%	0.00%

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.

Salton Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 9 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

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

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ended June 30, 2024 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2023 total pension liability. The June 30, 2024 total pension liability was based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table ¹	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.3% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.3% thereafter

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

¹The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. Mortality rates incorporate full generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries. For more details on this table, please refer to the 2021 experience study report from November 2021 that can be found on the CalPERS website..

Change of Assumption

In 2024, there were no changes in assumptions.

Discount Rate

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

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

Salton Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 9 – 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)

Long-term Expected Rate of Return (Continued)

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expenses of 10 basis points. The expected real rates of return by asset class are as follows:

Asset class ¹	Assumed asset allocation	Real Return ^{1,2}
Global Equity - Cap-weighted	30.00%	4.54%
Global Equity - Non-Cap-weighted	12.00%	3.84%
Private Equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed Securities	5.00%	0.50%
Investment Grade Corporates	10.00%	1.56%
High Yield	5.00%	2.27%
Emerging Market Debt	5.00%	2.48%
Private Debt	5.00%	3.57%
Real Assets	15.00%	3.21%
Leverage	-5.00%	-0.59%
	100.00%	

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

(2) Figures are based on the 2021 Asset Liability Management study.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 6.90%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (5.90%) or 1 percentage-point higher (7.90%) than the current rate:

Plan Type	Plan's Net Pension Liability/(Asset)		
	Discount Rate - 1% 5.90%	Current Discount Rate 6.90%	Discount Rate + 1% 7.90%
Miscellaneous	\$ 1,168,944	\$ 710,823	\$ 333,723
Safety	(648,451)	(653,999)	(658,536)
Total	\$ 520,493	\$ 56,824	\$ (324,813)

Pension Plan Fiduciary Net Position

Detail information about the plan's fiduciary net position is available in the separately issued CalPERS financial report and can be obtained from CalPERS' website under Forms and Publications.

Salton Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 9 – 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)

Proportionate Share of Net Pension Liability and Pension Expense

The following table shows the plan's proportionate share of the risk pool collective net pension liability over the measurement period:

	Increase (Decrease)		
	Plan Total	Plan Fiduciary	Net Pension
	Pension Liability	Net Position	Liability/(Asset)
Miscellaneous			
Balance at: 6/30/23 (Valuation date)	\$ 3,224,720	\$ 2,510,622	\$ 714,098
Balance at: 6/30/24 (Measurement date)	3,394,982	2,684,159	710,823
Net Changes during 2023-2024	170,262	173,537	(3,275)
Safety			
Balance at: 6/30/23 (Valuation date)	\$ 38,673	\$ 632,574	\$ (593,901)
Balance at: 6/30/24 (Measurement date)	40,616	694,615	(653,999)
Net Changes during 2023-2024	1,943	62,041	(60,098)

The following is the approach established by the plan actuary to allocate the net pension liability and pension expense to the individual employers within the risk pool.

- (1) In determining a cost-sharing plan's proportionate share, total amounts of liabilities and assets are first calculated for the risk pool as a whole on the valuation date (June 30, 2023). The risk pool's fiduciary net position ("FNP") subtracted from its total pension liability ("TPL") determines the net pension liability ("NPL") at the valuation date.
- (2) Using standard actuarial roll forward methods, the risk pool TPL is then computed at the measurement date (June 30, 2024). Risk pool FNP at the measurement date is then subtracted from this number to compute the NPL for the risk pool at the measurement date. For purposes of FNP in this step and any later reference thereto, the risk pool's FNP at the measurement date denotes the aggregate risk pool's FNP at June 30, 2024 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2023-2024).
- (3) The individual plan's TPL, FNP and NPL are also calculated at the valuation date. TPL is allocated based on the rate plan's share of the actuarial accrued liability. FNP is allocated based on the rate plan's share of the fair value assets.
- (4) Two ratios are created by dividing the plan's individual TPL and FNP as of the valuation date from (3) by the amounts in step (1), the risk pool's total TPL and FNP, respectively.
- (5) The plan's TPL as of the Measurement Date is equal to the risk pool TPL generated in (2) multiplied by the TPL ratio generated in (4). The plan's FNP as of the Measurement Date is equal to the FNP generated in (2) multiplied by the FNP ratio generated in (4) plus any additional side fund (or unfunded liability) contributions made by the employer on behalf of the plan during the measurement period.
- (6) The plan's NPL at the Measurement Date is the difference between the TPL and FNP calculated in (5).

Salton Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 9 – 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)

Proportionate Share of Net Pension Liability and Pension Expense (Continued)

Deferred outflows of resources, deferred inflows of resources, and pension expense is allocate based on the District's share of contributions during measurement period.

The District's proportionate share of the net pension liability (asset) for each Plan as of measurement date of June 30, 2024 was as follows:

	<u>Miscellaneous</u>	<u>Safety</u>	<u>Total</u>
Proportion - June 30, 2023	0.014280%	-0.00795%	0.00083%
Proportion - June 30, 2024	0.014281%	-0.00795%	0.00096%
Change - Increase (Decrease)	<u>0.000001%</u>	<u>0.000005%</u>	<u>0.00013%</u>

For the year ended June 30, 2025, the District recognized pension expense of \$185,443. At June 30, 2025 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Account Description</u>	<u>Miscellaneous</u>		<u>Safety</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions	\$ 18,270	\$ -	\$ -	\$ (16,113)
Differences between expected and actual experience	61,457	(2,398)	1,735	(53,372)
Differences between projected and actual investment earnings	40,921	-	-	(31,611)
Difference between employer's contributions and proportionate share of employer contributions	4,567	(7,097)	-	(37,508)
Changes in employer's proportion	36,312	-	33,797	(4,134)
Pension contributions made subsequent to measurement date	123,027	-	1,151	-
Total Deferred Outflows/(Inflows) of Resources	<u>\$ 284,554</u>	<u>\$ (9,495)</u>	<u>\$ 36,683</u>	<u>\$ (142,738)</u>

The District reported \$123,027 and \$1,151 as deferred outflows of resources related to contributions subsequent to the measurement date which will be recognized as a reduction of the collective net pension liability in the year ending June 30, 2025. 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>Year Ending June 30:</u>	<u>Miscellaneous</u>	<u>Safety</u>	<u>Totals</u>
2026	\$ 65,582	\$ (30,404)	\$ 35,178
2027	96,978	(84,352)	12,626
2028	3,495	(3,266)	229
2029	(14,023)	10,816	(3,207)
2030	-	-	-
Thereafter	-	-	-
Total	<u>\$ 152,032</u>	<u>\$ (107,206)</u>	<u>\$ 44,826</u>

Salton Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 10 – 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, 2023, the most recent valuation date, membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefit payments	7 ^a
Active plan members	1
Total	<u>8</u>

^a Includes one member who retired in July 2023.

Contributions. The contribution requirements of Plan members and the District are established and amended by the District’s governing board. The required contribution is based on projected pay-as-you-go financing requirements. No assets are accumulated in a trust.

Actuarial assumptions: The total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

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	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 CalPERS Experience Study (2000-2019).
Postretirement Mortality	Post-retirement Mortality Rates for Public Agency Miscellaneous from CalPERS Experience Study (2000-2019).

Actuarial assumptions used in the June 30, 2023 valuation were based on a review of plan experience during the period June 30, 2021 to June 30, 2023.

Salton Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 10 – 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	Bond Buyer 20- Bond GO	Discount Rate
June 30, 2025	June 30, 2025	5.20%	5.20%

The discount rate was changed from 3.97% in 2024 to 5.20% in 2025.

Schedule of Changes in Total OPEB Liability (July 1, 2024 to June 30, 2025)

	Total OPEB Liability
Service cost	\$ 1,009
Interest	12,416
Differences between expected and actual experience	-
Changes in assumptions or other inputs	(32,488)
Benefit payments ¹	(31,242)
Net change in total OPEB liability	(50,305)
Total OPEB liability - July 1, 2024	327,199
Total OPEB liability June 30, 2025	<u>\$ 276,894</u>

¹Includes \$31,242 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 (4.2%)	Discount Rate (5.2%)	1% Increase (6.2%)
\$ 302,837	\$ 276,894	\$ 254,523

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	Healthcare Cost Trend Rate	1% Increase
\$ 276,895	\$ 276,894	\$ 276,895

Salton Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 10 – Other Post-Employment Benefits (Continued)

B. Net OPEB Liability (Continued)

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

On June 30, 2025, 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 actual experience	\$ -	\$ (5,624)
Changes in assumptions or other inputs	-	(18,248)
Total	<u>\$ -</u>	<u>\$ (23,872)</u>

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

Year Ending June 30:	Deferred Outflows (Inflows) of Resources
2026	\$ (20,918)
2027	(2,954)
2028	-
2029	-
2030	-
Thereafter	-
	<u>\$ (23,872)</u>

OPEB Expense

The District's OPEB expense (credit) was in the amount of (\$33,182).

Note 11 – 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.

Salton Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 12 – 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, 2025, 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.
- 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.

Salton Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 12 – Risk Management (Continued)

- 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 2025, 2024, and 2023. 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, 2025, 2024, and 2023.

Note 13 – Commitments and Contingencies

A. Commitments

The District had no material commitments as of June 30, 2025.

B. Contingencies

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 the District 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.

REQUIRED SUPPLEMENTARY INFORMATION

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Salton Community Services District
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2025

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES:				
Taxes	\$ 304,500	\$ 304,500	\$ 334,334	\$ 29,834
Intergovernmental	219,986	219,986	32,197	(187,789)
Charges for services	1,800	1,800	1,483	(317)
Use of money and property	475	475	24,714	24,239
Miscellaneous	42,288	42,288	36,414	(5,874)
Total revenues	<u>569,049</u>	<u>569,049</u>	<u>429,142</u>	<u>(139,907)</u>
EXPENDITURES:				
Current:				
Administrative	293,698	293,698	173,639	120,059
Fire	8,750	8,750	17,490	(8,740)
Public works	226,162	226,162	125,155	101,007
Parks and recreation	225,952	225,952	22,198	203,754
Capital outlay	-	-	9,513	(9,513)
Total expenditures	<u>754,562</u>	<u>754,562</u>	<u>347,995</u>	<u>406,567</u>
Revenue over (under) expenditures	(185,513)	(185,513)	81,147	266,660
OTHER FINANCING (USES):				
Proceed from sale of assets	<u>200,000</u>	<u>200,000</u>	<u>-</u>	<u>(200,000)</u>
Total other financing (uses)	<u>200,000</u>	<u>200,000</u>	<u>-</u>	<u>(200,000)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 14,487</u>	<u>\$ 14,487</u>	81,147	<u>\$ 66,660</u>
FUND BALANCE:				
Beginning of year			<u>57,330</u>	
End of year			<u>\$ 138,477</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
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, 2025

Last Ten Fiscal Years

California Public Employees' Retirement System (CalPERS)

Measurement Date:	Miscellaneous Plan				
	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020
District's Proportion of the Net Pension Liability	0.0147%	0.0143%	0.0141%	0.0097%	0.0123%
District's Proportionate Share of the Net Pension Liability (Asset)	\$ 710,823	\$ 714,098	\$ 657,659	\$ 183,555	\$ 518,021
District's Covered Payroll	\$ 664,039	\$ 671,994	\$ 731,462	\$ 663,384	\$ 742,541
District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	107.05%	106.27%	89.91%	27.67%	69.76%
Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	79.91%	77.97%	78.19%	90.49%	77.71%

Measurement Date:	Safety Plan				
	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020
District's Proportion of the Net Pension Liability	-0.0090%	-0.0080%	-0.0082%	-0.0176%	-0.0075%
District's Proportionate Share of the Net Pension Liability (Asset)	\$ (653,999)	\$ (593,901)	\$ (561,468)	\$ (617,957)	\$ (498,143)
District's Covered Payroll	\$ -	\$ -	\$ -	\$ -	\$ 55,360
District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%	0.00%
Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	76.66%	74.87%	75.53%	86.61%	73.12%

Salton Community Services District
Required Supplementary Information (Unaudited)
Schedule of the District's Proportionate Share of the Plan's Net Pension Liability (Asset) (Continued)
For the Year Ended June 30, 2025

Last Ten Fiscal Years

California Public Employees' Retirement System (CalPERS)

	Miscellaneous Plan				
Measurement Date:	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
District's Proportion of the Net Pension Liability	0.0114%	0.0106%	0.0106%	0.0102%	0.0074%
District's Proportionate Share of the Net Pension Liability (Asset)	\$ 455,534	\$ 397,617	\$ 419,083	\$ 353,431	\$ 201,654
District's Covered Payroll	\$ 630,683	\$ 634,341	\$ 554,370	\$ 547,936	\$ 549,510
District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	72.23%	62.68%	75.60%	64.50%	36.70%
Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	77.73%	77.89%	75.39%	75.87%	79.89%

	Safety Plan				
Measurement Date:	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
District's Proportion of the Net Pension Liability	-0.0076%	-0.0077%	-0.0070%	-0.0072%	-0.0091%
District's Proportionate Share of the Net Pension Liability (Asset)	\$ (476,140)	\$ (449,408)	\$ (415,740)	\$ (374,003)	\$ (374,390)
District's Covered Payroll	\$ 49,947	\$ 56,208	\$ 54,566	\$ 54,026	\$ 52,452
District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	-953.29%	-799.54%	-761.90%	-692.26%	-713.78%
Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	73.37%	73.39%	71.74%	72.69%	77.27%

Salton Community Services District
Required Supplementary Information (Unaudited)
Schedule of Contributions - Pensions
For the Year Ended June 30, 2025

Last Ten Fiscal Years

California Public Employees' Retirement System (CalPERS)

Fiscal Year:	Miscellaneous Plan				
	June 30, 2025	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021
Actuarially Determined Contribution ¹	\$ 123,027	\$ 102,715	\$ 113,607	\$ 48,327	\$ 55,869
Contribution in Relation to the Actuarially Determined Contribution ¹	(123,027)	(102,715)	(113,607)	(48,327)	(55,869)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 664,039	\$ 664,039	\$ 671,994	\$ 731,462	\$ 663,384
Contributions as a Percentage of Covered Payroll	18.527%	15.468%	16.906%	6.607%	8.422%

Fiscal Year:	Safety Plan				
	June 30, 2025	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021
Actuarially Determined Contribution ¹	\$ 1,151	\$ 296	\$ 1,015	\$ -	\$ -
Contribution in Relation to the Actuarially Determined Contribution ¹	(1,151)	(296)	(1,015)	-	-
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's Covered Payroll	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a Percentage of Covered Payroll	0.000%	0.000%	0.000%	0.000%	0.000%

¹ 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.

Notes to the Schedule:

Change in Benefit Terms: There were no change in benefit terms.

Changes of Assumptions: In 2024 and 2023 there were no changes in assumptions. In 2022, the discount rate was reduced from 7.15 percent to 6.90 percent. In 2021, 2020 and 2019, there were no changes in assumptions. In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate. In 2017, the discount rate was reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense.)

Salton Community Services District
Required Supplementary Information (Unaudited)
Schedule of Contributions - Pensions (Continued)
For the Year Ended June 30, 2025

Last Ten Fiscal Years

California Public Employees' Retirement System (CalPERS)

Fiscal Year:	Miscellaneous Plan				
	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016
Actuarially Determined Contribution ¹	\$ 60,293	\$ 46,278	\$ 46,833	\$ 40,922	\$ 38,917
Contribution in Relation to the Actuarially Determined Contribution ¹	(60,293)	(46,278)	(46,833)	(40,922)	(38,917)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 742,541	\$ 630,683	\$ 634,341	\$ 554,370	\$ 547,936
Contributions as a Percentage of Covered Payroll	8.120%	7.338%	7.383%	7.382%	7.102%

Fiscal Year:	Safety Plan				
	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016
Actuarially Determined Contribution ¹	\$ 5,645	\$ 5,310	\$ 3,392	\$ 3,500	\$ 3,023
Contribution in Relation to the Actuarially Determined Contribution ¹	(5,645)	(5,310)	(3,392)	(3,500)	(3,023)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 55,360	\$ 49,947	\$ 56,208	\$ 54,566	\$ 54,026
Contributions as a Percentage of Covered Payroll	10.197%	10.631%	6.035%	6.414%	5.595%

¹ 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.

Notes to the Schedule:

Change in Benefit Terms: There were no change in benefit terms.

Changes of Assumptions: In 2024 and 2023 there were no changes in assumptions. In 2022, the discount rate was reduced from 7.15 percent to 6.90 percent. In 2021, 2020 and 2019, there were no changes in assumptions. In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate. In 2017, the discount rate was reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense.)

Salton Community Services District
Required Supplementary Information (Unaudited)
Schedule of the District's Changes in Net OPEB Liability and Related Ratios
For the Year Ended June 30, 2025

	Last Ten Fiscal Years¹				
Measurement period	June 30, 2025	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021
Total OPEB liability					
Service cost	\$ 1,009	\$ 1,012	\$ 7,410	\$ 10,315	\$ 10,015
Interest	12,416	12,840	15,248	9,852	10,200
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	-	(61,860)	-	-	-
Changes of assumptions	(32,488)	(3,391)	(6,761)	(84,871)	-
Benefit payments, including refunds of employee contributions	(31,242)	(29,527)	(26,950)	(37,632)	(39,713)
Net change in total OPEB liability	(50,305)	(80,926)	(11,053)	(102,336)	(19,498)
Total OPEB liability - beginning	327,199	408,125	419,178	521,514	541,012
Total OPEB liability - ending (a)	\$ 276,894	\$ 327,199	\$ 408,125	\$ 419,178	\$ 521,514
OPEB fiduciary net position					
Contributions	\$ 31,242	\$ 29,527	\$ 26,950	\$ 37,632	\$ 39,713
Net investment income	-	-	-	-	-
Benefit payments, including refunds of employee contributions	(31,242)	(29,527)	(26,950)	(37,632)	(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)	\$ 276,894	\$ 327,199	\$ 408,125	\$ 419,178	\$ 521,514
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%
Covered - employee payroll	\$ 87,814	\$ 93,952	\$ 256,010	\$ 246,648	\$ 559,280
District's net OPEB liability as a percentage of covered - employee payroll	315.32%	348.26%	159.42%	169.95%	93.25%

¹ Historical information is presented only for measurement periods for which GASB No. 75 is available. 2021 was the first year of implementation. Additional years will be presented as they become available.

Salton Community Services District
Required Supplementary Information (Unaudited)
Schedule of the District's Contributions to the OPEB Plan
For the Year Ended June 30, 2025

	Last Ten Fiscal Years				
Fiscal Year:	June 30, 2025	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021¹
Actuarially Determined Contribution	\$ 31,242	\$ 42,983	\$ 42,983	\$ 42,983	\$ 42,983
Contribution in Relation to the Actuarially Determined Contribution	(31,242)	(29,527)	(26,950)	(37,632)	(34,041)
Contribution Deficiency (Excess)	\$ -	\$ 13,456	\$ 16,033	\$ 5,351	\$ 8,942
District's Covered-Employee Payroll	\$ 87,814	\$ 93,952	\$ 256,010	\$ 246,648	\$ 559,280
Contributions as a Percentage of Covered-Employee Payroll	35.58%	31.43%	10.53%	15.26%	6.09%

¹ Historical information is presented only for measurement periods for which GASB No. 75 is available.

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