

# **Salton Community Services District**

Salton City, California

## **Annual Financial Report**

*For the Year Ended June 30, 2024*



**Salton Community Services District  
Annual Financial Report  
For the Year Ended June 30, 2024**

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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, 2024, 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, 2024, 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:

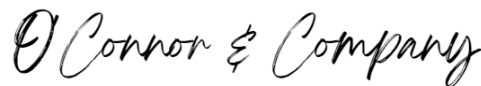
- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, 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 (pages 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  
August 17, 2026

**Salton Community Services District**  
**Management's Discussion and Analysis (Unaudited)**  
**For the Year Ended June 30, 2024**

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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, 2024. 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 34.67%, or 646,316 from the prior year's net position of \$1,864,161 to \$2,510,477, as a result of an increase in business-type activities charges for services and decrease in long-term liabilities.
- Total revenues from all sources increased by 20.71%, or \$576,345 from \$2,783,482 to \$3,359,827, from the prior year, primarily due to an increase in business-type activities charges for services.
- Total expenses for the District's operations decreased by 14.46%, or (\$458,662), from \$3,172,173 to \$2,713,511, primarily due to a decrease in personnel services.

**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, 2024**

**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 \$2,510,477 as of June 30, 2024.

**Condensed Statement of Net Position**

|                                       | <b>Governmental Activities</b> |                      | <b>Business-Type Activities</b> |                      | <b>Total</b>         |                      |
|---------------------------------------|--------------------------------|----------------------|---------------------------------|----------------------|----------------------|----------------------|
|                                       | <b>June 30, 2024</b>           | <b>June 30, 2023</b> | <b>June 30, 2024</b>            | <b>June 30, 2023</b> | <b>June 30, 2024</b> | <b>June 30, 2023</b> |
| <b>Assets:</b>                        |                                |                      |                                 |                      |                      |                      |
| Current assets                        | \$ 20,326                      | \$ 162,381           | \$ 2,146,268                    | \$ 1,337,034         | \$ 2,166,594         | \$ 1,499,415         |
| Non-current assets                    | 1,165,182                      | 1,185,542            | -                               | -                    | 1,165,182            | 1,185,542            |
| Capital assets, net                   | 70,250                         | 55,470               | 1,426,744                       | 1,610,869            | 1,496,994            | 1,666,339            |
| <b>Total assets</b>                   | <b>1,255,758</b>               | <b>1,403,393</b>     | <b>3,573,012</b>                | <b>2,947,903</b>     | <b>4,828,770</b>     | <b>4,351,296</b>     |
| <b>Deferred Outflows of Resources</b> | <b>84,742</b>                  | <b>88,895</b>        | <b>341,952</b>                  | <b>429,141</b>       | <b>426,694</b>       | <b>518,036</b>       |
| <b>Liabilities:</b>                   |                                |                      |                                 |                      |                      |                      |
| Current liabilities                   | 20,520                         | 38,884               | 171,567                         | 214,561              | 192,087              | 253,445              |
| Non-current liabilities               | 114,591                        | 97,704               | 1,043,373                       | 1,199,789            | 1,157,964            | 1,297,493            |
| <b>Total liabilities</b>              | <b>135,111</b>                 | <b>136,588</b>       | <b>1,214,940</b>                | <b>1,414,350</b>     | <b>1,350,051</b>     | <b>1,550,938</b>     |
| <b>Deferred Inflows of Resources</b>  | <b>1,171,436</b>               | <b>1,209,550</b>     | <b>223,500</b>                  | <b>244,683</b>       | <b>1,394,936</b>     | <b>1,454,233</b>     |
| <b>Net Position:</b>                  |                                |                      |                                 |                      |                      |                      |
| Net investment in capital assets      | 70,250                         | 55,470               | 693,176                         | 742,543              | 763,426              | 798,013              |
| Unrestricted (Deficit)                | (36,297)                       | 90,680               | 1,783,348                       | 975,468              | 1,747,051            | 1,066,148            |
| <b>Total net position</b>             | <b>\$ 33,953</b>               | <b>\$ 146,150</b>    | <b>\$ 2,476,524</b>             | <b>\$ 1,718,011</b>  | <b>\$ 2,510,477</b>  | <b>\$ 1,864,161</b>  |

**Salton Community Services District**  
**Management's Discussion and Analysis (Unaudited) (Continued)**  
**For the Year Ended June 30, 2024**

At the end of fiscal year 2024, the District shows a positive balance in its unrestricted net position of \$1,747,051.

**Condensed Statement of Activities**

|                                                | <b>Governmental Activities</b> |                      | <b>Business-Type Activities</b> |                      | <b>Total</b>         |                      |
|------------------------------------------------|--------------------------------|----------------------|---------------------------------|----------------------|----------------------|----------------------|
|                                                | <b>June 30, 2024</b>           | <b>June 30, 2023</b> | <b>June 30, 2024</b>            | <b>June 30, 2023</b> | <b>June 30, 2024</b> | <b>June 30, 2023</b> |
| <b>Revenues:</b>                               |                                |                      |                                 |                      |                      |                      |
| Program revenues                               | \$ 74,665                      | \$ 48,989            | \$ 2,902,150                    | \$ 2,336,213         | \$ 2,976,815         | \$ 2,385,202         |
| Operating grants and contributions             | -                              | -                    | 8,384                           | 33,535               | 8,384                | 33,535               |
| General revenues                               | 362,162                        | 360,167              | 12,466                          | 4,578                | 374,628              | 364,745              |
| <b>Total revenues</b>                          | <b>436,827</b>                 | <b>409,156</b>       | <b>2,923,000</b>                | <b>2,374,326</b>     | <b>3,359,827</b>     | <b>2,783,482</b>     |
| <b>Expenses:</b>                               |                                |                      |                                 |                      |                      |                      |
| Operations                                     | 549,024                        | 480,295              | 1,937,382                       | 2,480,045            | 2,486,406            | 2,960,340            |
| Depreciation expense                           | -                              | -                    | 208,595                         | 193,323              | 208,595              | 193,323              |
| Interest expense                               | -                              | -                    | 18,510                          | 18,510               | 18,510               | 18,510               |
| <b>Total expenses</b>                          | <b>549,024</b>                 | <b>480,295</b>       | <b>2,164,487</b>                | <b>2,691,878</b>     | <b>2,713,511</b>     | <b>3,172,173</b>     |
| <b>Change in net position before transfers</b> | <b>(112,197)</b>               | <b>(71,139)</b>      | <b>758,513</b>                  | <b>(317,552)</b>     | <b>646,316</b>       | <b>(388,691)</b>     |
| <b>Transfers</b>                               | <b>-</b>                       | <b>(102,460)</b>     | <b>-</b>                        | <b>102,460</b>       | <b>-</b>             | <b>-</b>             |
| <b>Change in net position</b>                  | <b>(112,197)</b>               | <b>(173,599)</b>     | <b>758,513</b>                  | <b>(215,092)</b>     | <b>646,316</b>       | <b>(388,691)</b>     |
| <b>Net Position:</b>                           |                                |                      |                                 |                      |                      |                      |
| Beginning of year                              | 146,150                        | 319,749              | 1,718,011                       | 1,933,103            | 1,864,161            | 2,252,852            |
| End of year                                    | \$ 33,953                      | \$ 146,150           | \$ 2,476,524                    | \$ 1,718,011         | \$ 2,510,477         | \$ 1,864,161         |

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 \$646,316, during the fiscal year ended June 30, 2024.

Total revenues from all sources increased by 20.71%, or \$576,345 from \$2,783,482 to \$3,359,827, from the prior year, primarily due to an increase in business-type activities charges for services from \$1,933,488 to \$2,362,094.

Total expenses for the District's operations decreased by 14.46% or (\$458,662) from \$3,172,173 to \$2,713,511 from the prior year, primarily due to a decrease in business-type activities of (\$527,391) resulted mainly from decrease in personnel services from \$1,491,489 to \$1,048,324.

**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, 2024, the District's only government fund was General Fund. The General Fund reported a total fund balance of \$57,330, 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, 2024**

**Capital Asset Administration**

Capital assets at the end of fiscal year 2024 and 2023 were as follows:

|                             | <b>Governmental Activities</b> |                      | <b>Business-Type Activities</b> |                      | <b>Total</b>         |                      |
|-----------------------------|--------------------------------|----------------------|---------------------------------|----------------------|----------------------|----------------------|
|                             | <b>Balance</b>                 | <b>Balance</b>       | <b>Balance</b>                  | <b>Balance</b>       | <b>Balance</b>       | <b>Balance</b>       |
|                             | <b>June 30, 2024</b>           | <b>June 30, 2023</b> | <b>June 30, 2024</b>            | <b>June 30, 2023</b> | <b>June 30, 2024</b> | <b>June 30, 2023</b> |
| Building                    | \$ 17,409                      | \$ 3,200             | \$ -                            | \$ 8,813             | \$ 17,409            | \$ 12,013            |
| Pump Stations               | -                              | -                    | 53,751                          | 49,771               | 53,751               | 49,771               |
| Sewers                      | -                              | -                    | 74,145                          | 79,441               | 74,145               | 79,441               |
| Equipment                   | 30,901                         | 38,535               | 616,438                         | 656,499              | 647,339              | 695,034              |
| Motor Vehicles              | -                              | -                    | 682,410                         | 816,345              | 682,410              | 816,345              |
| Structures and Improvements | -                              | -                    | -                               | -                    | -                    | -                    |
| Construction in Progress    | 21,940                         | 13,735               | -                               | -                    | 21,940               | 13,735               |
| Total capital assets, net   | <u>\$ 70,250</u>               | <u>\$ 55,470</u>     | <u>\$ 1,426,744</u>             | <u>\$ 1,610,869</u>  | <u>\$ 1,496,994</u>  | <u>\$ 1,666,339</u>  |

At the end of fiscal year 2024, the District's capital assets amounted to \$1,496,994 (net of accumulated depreciation). Major capital asset additions during the year include purchases of Trash Pump Board \$18,856 and Desert Shores Park improvements \$14,593, respectively. See Note 6 for further information on the District's capital assets.

**Debt Administration**

Long-term debt at the end of fiscal year 2024 and 2023 were as follows:

***Finance Purchase Payable***

|                          | <b>Business-Type Activities</b> |                      |
|--------------------------|---------------------------------|----------------------|
|                          | <b>Balance</b>                  | <b>Balance</b>       |
|                          | <b>June 30, 2024</b>            | <b>June 30, 2023</b> |
| Finance Purchase Payable | <u>\$ 733,568</u>               | <u>\$ 868,326</u>    |

At the end of fiscal year 2024, the District's long-term debt amounted to \$733,568. Major deletion during the year include repayment of the payable in the amount of \$134,758. 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, 2024**

|                                              | Primary Government         |                             |                     |
|----------------------------------------------|----------------------------|-----------------------------|---------------------|
|                                              | Governmental<br>Activities | Business-Type<br>Activities | Total               |
| <b><u>ASSETS</u></b>                         |                            |                             |                     |
| <b>Current assets:</b>                       |                            |                             |                     |
| Cash and investments                         | \$ 389,887                 | \$ 1,650,920                | \$ 2,040,807        |
| Accounts receivable                          | 17,668                     | 83,299                      | 100,967             |
| Accrued interest                             | 720                        | 3,737                       | 4,457               |
| Lease receivable - due within one year       | 20,363                     | -                           | 20,363              |
| Internal balances                            | (408,312)                  | 408,312                     | -                   |
| <b>Total current assets</b>                  | <b>20,326</b>              | <b>2,146,268</b>            | <b>2,166,594</b>    |
| <b>Noncurrent assets:</b>                    |                            |                             |                     |
| Lease receivable - due in more than one year | 1,165,182                  | -                           | 1,165,182           |
| Capital assets – not being depreciated       | 21,940                     | -                           | 21,940              |
| Capital assets – being depreciated, net      | 48,310                     | 1,426,744                   | 1,475,054           |
| <b>Total capital assets</b>                  | <b>70,250</b>              | <b>1,426,744</b>            | <b>1,496,994</b>    |
| <b>Total noncurrent assets</b>               | <b>1,235,432</b>           | <b>1,426,744</b>            | <b>2,662,176</b>    |
| <b>Total assets</b>                          | <b>1,255,758</b>           | <b>3,573,012</b>            | <b>4,828,770</b>    |
| <b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b> |                            |                             |                     |
| Pension related                              | 84,742                     | 341,952                     | 426,694             |
| <b>Total deferred outflows of resources</b>  | <b>84,742</b>              | <b>341,952</b>              | <b>426,694</b>      |
| <b><u>LIABILITIES</u></b>                    |                            |                             |                     |
| <b>Current liabilities:</b>                  |                            |                             |                     |
| Accounts payable and accrued expenses        | 12,128                     | 44,491                      | 56,619              |
| Accrued interest payable                     | -                          | 5,731                       | 5,731               |
| Compensated absences - due within one year   | 8,392                      | 23,274                      | 31,666              |
| Notes payable - due within one year          | -                          | 98,071                      | 98,071              |
| <b>Total current liabilities</b>             | <b>20,520</b>              | <b>171,567</b>              | <b>192,087</b>      |
| <b>Noncurrent liabilities:</b>               |                            |                             |                     |
| Compensated absences                         | 25,738                     | 49,333                      | 75,071              |
| Notes payable - due in more than one year    | -                          | 635,497                     | 635,497             |
| Net pension liability                        | 23,871                     | 96,326                      | 120,197             |
| Net other postemployment benefits liability  | 64,982                     | 262,217                     | 327,199             |
| <b>Total noncurrent liabilities</b>          | <b>114,591</b>             | <b>1,043,373</b>            | <b>1,157,964</b>    |
| <b>Total liabilities</b>                     | <b>135,111</b>             | <b>1,214,940</b>            | <b>1,350,051</b>    |
| <b><u>DEFERRED INFLOWS OF RESOURCES</u></b>  |                            |                             |                     |
| Pension related                              | 47,841                     | 193,054                     | 240,895             |
| Other postemployment benefits related        | 7,545                      | 30,446                      | 37,991              |
| Lease related                                | 1,116,050                  | -                           | 1,116,050           |
| <b>Total deferred inflows of resources</b>   | <b>1,171,436</b>           | <b>223,500</b>              | <b>1,394,936</b>    |
| <b><u>NET POSITION</u></b>                   |                            |                             |                     |
| Net investment in capital assets             | 70,250                     | 693,176                     | 763,426             |
| Unrestricted (deficit)                       | (36,297)                   | 1,783,348                   | 1,747,051           |
| <b>Total net position</b>                    | <b>\$ 33,953</b>           | <b>\$ 2,476,524</b>         | <b>\$ 2,510,477</b> |

See accompanying Notes to the Basic Financial Statements.

**Salton Community Services District**  
**Statement of Activities**  
**For the Year Ended June 30, 2024**

| Functions/Programs                    | Expenses                   | Program Revenue            |                                    |                                  |
|---------------------------------------|----------------------------|----------------------------|------------------------------------|----------------------------------|
|                                       |                            | Charges for Services       | Operating Grants and Contributions | Capital Grants and Contributions |
| <b>Primary government:</b>            |                            |                            |                                    |                                  |
| <b>Governmental activities:</b>       |                            |                            |                                    |                                  |
| Administrative                        | \$ 343,776                 | \$ 11,676                  | \$ -                               | \$ -                             |
| Fire                                  | 11,162                     | 62,989                     | -                                  | -                                |
| Public works                          | 165,846                    | -                          | -                                  | -                                |
| Parks and recreation                  | 28,240                     | -                          | -                                  | -                                |
| <b>Total governmental activities</b>  | <u>549,024</u>             | <u>74,665</u>              | <u>-</u>                           | <u>-</u>                         |
| <b>Business-type activities:</b>      |                            |                            |                                    |                                  |
| Sewer maintenance                     | <u>2,164,487</u>           | <u>2,902,150</u>           | <u>8,384</u>                       | <u>-</u>                         |
| <b>Total business-type activities</b> | <u>2,164,487</u>           | <u>2,902,150</u>           | <u>8,384</u>                       | <u>-</u>                         |
| <b>Total primary government</b>       | <u><u>\$ 2,713,511</u></u> | <u><u>\$ 2,976,815</u></u> | <u><u>\$ 8,384</u></u>             | <u><u>\$ -</u></u>               |

**Salton Community Services District**  
**Statement of Activities (Continued)**  
**For the Year Ended June 30, 2024**

| Functions/Programs                    | Net (Expense) Revenue<br>and Changes in Net Position |                             |                     |
|---------------------------------------|------------------------------------------------------|-----------------------------|---------------------|
|                                       | Governmental<br>Activities                           | Business-Type<br>Activities | Total               |
| <b>Primary government:</b>            |                                                      |                             |                     |
| <b>Governmental activities:</b>       |                                                      |                             |                     |
| Administrative                        | \$ (332,100)                                         | \$ -                        | \$ (332,100)        |
| Fire                                  | 51,827                                               | -                           | 51,827              |
| Public works                          | (165,846)                                            | -                           | (165,846)           |
| Parks and recreation                  | (28,240)                                             | -                           | (28,240)            |
| <b>Total governmental activities</b>  | <b>(474,359)</b>                                     | <b>-</b>                    | <b>(474,359)</b>    |
| <b>Business-type activities:</b>      |                                                      |                             |                     |
| Sewer maintenance                     | -                                                    | 746,047                     | 746,047             |
| <b>Total business-type activities</b> | <b>-</b>                                             | <b>746,047</b>              | <b>746,047</b>      |
| <b>Total primary government</b>       | <b>(474,359)</b>                                     | <b>746,047</b>              | <b>271,688</b>      |
| <b>General revenues:</b>              |                                                      |                             |                     |
| Taxes                                 | 288,482                                              | -                           | 288,482             |
| Investment earning                    | 24,206                                               | 12,466                      | 36,672              |
| Miscellaneous revenue                 | 49,474                                               | -                           | 49,474              |
| <b>Total general revenues</b>         | <b>362,162</b>                                       | <b>12,466</b>               | <b>374,628</b>      |
| <b>Change in net position</b>         | <b>(112,197)</b>                                     | <b>758,513</b>              | <b>646,316</b>      |
| <b>Net position:</b>                  |                                                      |                             |                     |
| Beginning of year                     | 146,150                                              | 1,718,011                   | 1,864,161           |
| End of year                           | <u>\$ 33,953</u>                                     | <u>\$ 2,476,524</u>         | <u>\$ 2,510,477</u> |

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## **GOVERNMENTAL FUND FINANCIAL STATEMENTS**

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**Salton Community Services District**  
**Balance Sheet**  
**Governmental Fund**  
**June 30, 2024**

| <b>Assets</b>                                                                | <b>General<br/>Fund</b> |
|------------------------------------------------------------------------------|-------------------------|
| <b>Assets:</b>                                                               |                         |
| Cash and investments                                                         | \$ 389,887              |
| Accrued interest                                                             | 720                     |
| Accounts receivable                                                          | 17,668                  |
| Lease receivable                                                             | 1,185,545               |
| <b>Total assets</b>                                                          | <b>\$ 1,593,820</b>     |
| <b>Liabilities, Deferred Inflows of Resources<br/>and Fund Balance</b>       |                         |
| <b>Liabilities:</b>                                                          |                         |
| Accounts payable and accrued expenses                                        | \$ 12,128               |
| Due to other funds                                                           | 408,312                 |
| <b>Total liabilities</b>                                                     | <b>420,440</b>          |
| <b>Deferred Inflows of Resources:</b>                                        |                         |
| Lease related                                                                | 1,116,050               |
| <b>Total deferred inflows of resources</b>                                   | <b>1,116,050</b>        |
| <b>Fund balance:</b>                                                         |                         |
| Unassigned                                                                   | 57,330                  |
| <b>Total fund balance</b>                                                    | <b>57,330</b>           |
| <b>Total liabilities, deferred inflows of resources<br/>and fund balance</b> | <b>\$ 1,593,820</b>     |

**Salton Community Services District**  
**Reconciliation of the Balance Sheet of Governmental Fund to the**  
**Government-Wide Statement of Net Position**  
**June 30, 2024**

|                                                                                                                                                                                                                                                                        |                          |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|
| <b>Total Fund Balances – Total Governmental Fund</b>                                                                                                                                                                                                                   | \$ 57,330                |
| 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.                       | 70,250                   |
| 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                                                                                                                                                                                                                                                   | (34,130)                 |
| 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                                                                                                                                                                                                                      | 84,742                   |
| Net pension asset                                                                                                                                                                                                                                                      | 117,949                  |
| Net pension liability                                                                                                                                                                                                                                                  | (23,871)                 |
| Deferred inflows of resources related to pension                                                                                                                                                                                                                       | (47,841)                 |
| 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                                                                                                                                                                                                                                                   | (64,982)                 |
| Deferred inflows of resources related to OPEB                                                                                                                                                                                                                          | (7,545)                  |
| <b>Net Position of Governmental Activities</b>                                                                                                                                                                                                                         | <u><u>\$ 151,902</u></u> |

**Salton Community Services District**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Fund**  
**For the Year Ended June 30, 2024**

|                                   | <b>General<br/>Fund</b> |
|-----------------------------------|-------------------------|
| <b>Revenues:</b>                  |                         |
| Taxes                             | \$ 288,482              |
| Intergovernmental                 | 62,989                  |
| Charges for services              | 11,676                  |
| Use of money and property         | 24,206                  |
| Miscellaneous                     | 49,474                  |
| <b>Total revenues</b>             | <b>436,827</b>          |
| <b>Expenditures:</b>              |                         |
| Current:                          |                         |
| Administrative                    | 318,416                 |
| Fire                              | 8,699                   |
| Public works                      | 176,104                 |
| Parks and recreation              | 28,240                  |
| <b>Total expenditures</b>         | <b>531,459</b>          |
| <b>Net change in fund balance</b> | <b>(94,632)</b>         |
| <b>Fund balance:</b>              |                         |
| Beginning of year                 | 151,962                 |
| End of year                       | <b>\$ 57,330</b>        |

**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, 2024**

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|                                                                                                                                                                                                               |                            |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|
| <b>Net Changes in Fund Balance – Total Governmental Fund</b>                                                                                                                                                  | \$ (94,632)                |
| 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                                                                                                                                                                                                | 22,798                     |
| Depreciation expense                                                                                                                                                                                          | (8,018)                    |
| 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                                                                                                                                                                            | (21,178)                   |
| Other postemployment benefits credit                                                                                                                                                                          | 1,206                      |
| Pension (expense)                                                                                                                                                                                             | (12,373)                   |
| <b>Total adjustments</b>                                                                                                                                                                                      | <u>(17,565)</u>            |
| <b>Change in Net Position of Governmental Activities</b>                                                                                                                                                      | <u><u>\$ (112,197)</u></u> |

## **PROPRIETARY FUND FINANCIAL STATEMENTS**

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**Salton Community Services District**  
**Statement of Net Position**  
**Proprietary Fund**  
**June 30, 2024**

|                                                  | <b>Sewer<br/>Maintenance<br/>Enterprise Fund</b> |
|--------------------------------------------------|--------------------------------------------------|
| <b>ASSETS</b>                                    |                                                  |
| <b>Current assets:</b>                           |                                                  |
| Cash and investments                             | \$ 1,650,920                                     |
| Accounts receivable, net                         | 83,299                                           |
| Accrued interest                                 | 3,737                                            |
| Due from other funds                             | 408,312                                          |
| <b>Total current assets</b>                      | <b>2,146,268</b>                                 |
| <b>Noncurrent assets:</b>                        |                                                  |
| Capital assets – being depreciated, net          | 1,426,744                                        |
| <b>Total noncurrent assets</b>                   | <b>1,426,744</b>                                 |
| <b>Total assets</b>                              | <b>3,573,012</b>                                 |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>            |                                                  |
| Pension related                                  | 341,952                                          |
| <b>Total deferred outflows of resources</b>      | <b>341,952</b>                                   |
| <b>LIABILITIES</b>                               |                                                  |
| <b>Current liabilities:</b>                      |                                                  |
| Accounts payable and accrued expenses            | 44,491                                           |
| Accrued interest payable                         | 5,731                                            |
| Compensated absences - due within one year       | 23,274                                           |
| Notes payable, due within one year               | 98,071                                           |
| <b>Total current liabilities</b>                 | <b>171,567</b>                                   |
| <b>Noncurrent liabilities:</b>                   |                                                  |
| Compensated absences - due in more than one year | 49,333                                           |
| Notes payable, due in more than one year         | 635,497                                          |
| Net pension liability                            | 96,326                                           |
| Net other postemployment benefits liability      | 262,217                                          |
| <b>Total noncurrent liabilities</b>              | <b>1,043,373</b>                                 |
| <b>Total liabilities</b>                         | <b>1,214,940</b>                                 |
| <b>DEFERRED INFLOWS OF RESOURCES</b>             |                                                  |
| Pension related                                  | 193,054                                          |
| Other postemployment benefits related            | 30,446                                           |
| <b>Total deferred inflows of resources</b>       | <b>223,500</b>                                   |
| <b>NET POSITION</b>                              |                                                  |
| Net investment in capital assets                 | 693,176                                          |
| Unrestricted                                     | 1,783,348                                        |
| <b>Total net position</b>                        | <b>\$ 2,476,524</b>                              |

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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, 2024**

|                                               | <b>Sewer<br/>Maintenance<br/>Enterprise Fund</b> |
|-----------------------------------------------|--------------------------------------------------|
| <b>Operating revenues:</b>                    |                                                  |
| Charges for services                          | \$ 2,362,094                                     |
| Miscellaneous                                 | 540,056                                          |
| <b>Total operating revenues</b>               | <b>2,902,150</b>                                 |
| <b>Operating expenses:</b>                    |                                                  |
| Personnel services                            | 1,048,325                                        |
| Utilities                                     | 230,393                                          |
| Contractual services                          | 259,116                                          |
| Administrative services                       | 201,983                                          |
| Repair and maintenance                        | 101,720                                          |
| Supplies                                      | 17,032                                           |
| Treatment and disposal                        | 50,235                                           |
| Depreciation                                  | 208,595                                          |
| <b>Total operating expenses</b>               | <b>2,117,399</b>                                 |
| <b>Operating Income</b>                       | <b>784,751</b>                                   |
| <b>Nonoperating revenues (expenses):</b>      |                                                  |
| Investment income                             | 12,466                                           |
| Interest expense                              | (47,088)                                         |
| Intergovernmental revenue                     | 8,384                                            |
| <b>Total nonoperating revenues (expenses)</b> | <b>(26,238)</b>                                  |
| <b>Change in net position</b>                 | <b>758,513</b>                                   |
| <b>Net position:</b>                          |                                                  |
| Beginning of year                             | 1,718,011                                        |
| End of year                                   | <b>\$ 2,476,524</b>                              |

**Salton Community Services District**  
**Statement of Cash Flows**  
**Proprietary Fund**  
**For the Year Ended June 30, 2024**

|                                                                    | <b>Sewer<br/>Maintenance<br/>Enterprise Fund</b> |
|--------------------------------------------------------------------|--------------------------------------------------|
| <b>Cash flows from operating activities:</b>                       |                                                  |
| Cash receipts from customers and others                            | \$ 2,956,087                                     |
| Cash paid to employees for salaries and wages                      | (1,044,270)                                      |
| Cash paid to vendors and suppliers                                 | (862,045)                                        |
| <b>Net cash provided by operating activities</b>                   | <b>1,049,772</b>                                 |
| <b>Cash flows from capital and related financing activities:</b>   |                                                  |
| Acquisition and construction of capital assets                     | (24,470)                                         |
| Principal payments on notes payable                                | (134,758)                                        |
| Interest payments on notes payable                                 | (48,223)                                         |
| <b>Net cash (used in) capital and related financing activities</b> | <b>(207,451)</b>                                 |
| <b>Cash flows from noncapital financing activities:</b>            |                                                  |
| Cash provided to other fund                                        | (106,046)                                        |
| Intergovernmental revenue                                          | 8,384                                            |
| <b>Net cash (used in) noncapital financing activities</b>          | <b>(97,662)</b>                                  |
| <b>Cash flows from investing activities:</b>                       |                                                  |
| Income received                                                    | 10,867                                           |
| <b>Net cash provided by investing activities</b>                   | <b>10,867</b>                                    |
| <b>Net change in cash and cash equivalents</b>                     | <b>755,526</b>                                   |
| <b>Cash and cash equivalents:</b>                                  |                                                  |
| Beginning of year                                                  | 895,394                                          |
| End of year                                                        | 1,650,920                                        |

(Continued)

**Salton Community Services District**  
**Statement of Cash Flows (Continued)**  
**Proprietary Fund**  
**For the Year Ended June 30, 2024**

|                                                                                                    | <b>Sewer<br/>Maintenance<br/>Enterprise Fund</b> |
|----------------------------------------------------------------------------------------------------|--------------------------------------------------|
| <b>Reconciliation of operating income to net cash<br/>provided by operating activities:</b>        |                                                  |
| <b>Operating income</b>                                                                            | \$ 784,751                                       |
| <b>Adjustments to reconcile operating income to<br/>net cash provided by operating activities:</b> |                                                  |
| Depreciation expense                                                                               | 208,595                                          |
| <b>Changes in account balances:</b>                                                                |                                                  |
| (Increase) decrease in assets and deferred outflows of resources:                                  |                                                  |
| Accounts receivable, net                                                                           | 53,937                                           |
| Pension related outflows of resources                                                              | 87,189                                           |
| Increase (decrease) in liabilities and deferred inflows of resources:                              |                                                  |
| Accounts payable                                                                                   | (1,566)                                          |
| Accrued payroll                                                                                    | 223                                              |
| Compensated absences                                                                               | (2,941)                                          |
| Net pension liability                                                                              | 16,641                                           |
| Net OPEB liability                                                                                 | (75,874)                                         |
| Pension related inflows of resources                                                               | (33,773)                                         |
| Other postemployment benefits related inflows of resources                                         | 12,590                                           |
| <b>Total adjustments</b>                                                                           | <b>265,021</b>                                   |
| <b>Net cash provided by operating activities</b>                                                   | <b>\$ 1,049,772</b>                              |
|                                                                                                    | (Concluded)                                      |

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**Salton Community Services District**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2024**

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**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, 2024**

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**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, 2024**

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**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, 2024**

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**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, 2024**

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**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**

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

**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:

|                       |                               |
|-----------------------|-------------------------------|
| <b><u>CalPERS</u></b> |                               |
| Valuation Date        | June 30, 2022                 |
| Measurement Date      | June 30, 2023                 |
| Measurement Period    | July 1, 2022 to June 30, 2023 |

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.

**Salton Community Services District**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2024**

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

***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. Investments are reported at fair value, except for money market investments, which are reported at amortized cost.

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

***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.

***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.

**Salton Community Services District**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2024**

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

**N. Fund Balance (Continued)**

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.

**Note 2 – Cash and Investments**

Cash and investments as of June 30, 2024 consisted of the following:

| Description                  | Balance             |
|------------------------------|---------------------|
| Cash on hand                 | \$ 1,016            |
| Demand Accounts              | 1,651,156           |
| Local Agency Investment Fund | 388,635             |
| Total                        | <u>\$ 2,040,807</u> |

**A. Demand Deposits**

At June 30, 2024, the carrying amount of the District’s demand deposits was \$1,651,156 and the financial institution balance was \$1,663,209. The \$12,053 net difference as of June 30, 2024 represents outstanding checks, deposits-in-transit and/or other reconciling items.

**Salton Community Services District**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2024**

**Note 2 – Cash and Investments (Continued)**

**A. Demand Deposits (Continued)**

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

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

**B. Investments**

The District's investments as of June 30, 2024 were as follows:

| Type of Investments          | Credit Rating | Fair Value        | Maturity          |
|------------------------------|---------------|-------------------|-------------------|
|                              |               |                   | 12 Months or Less |
| Local Agency Investment Fund | N/A           | \$ 388,635        | \$ 388,635        |
| <b>Total investments</b>     |               | <b>\$ 388,635</b> | <b>\$ 388,635</b> |

**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, 2024 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, 2024**

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**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 (DVP) method and that all securities are held by a qualified, third-party custodian, as evidenced by safekeeping receipts. The trust department of the District's bank may act as third-party custodian, provided that the custodian agreement is separate from the banking agreement. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

As of June 30, 2024, 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 – Services**

The accounts receivable – services balance consists of the following balances as of June 30, 2024:

| <u>Description</u>  | <u>General<br/>Fund</u> | <u>Sewer<br/>Maintenance</u> | <u>Total</u> |
|---------------------|-------------------------|------------------------------|--------------|
| Accounts receivable | \$ 17,668               | \$ 83,299                    | \$ 100,967   |

**Salton Community Services District**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2024**

**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, 2024, the District recognized \$42,815 in lease revenue and \$21,828 in interest revenue, and the outstanding net present value of the lease receivable amount is \$1,185,545.

At June 30, 2024, the required payments for these leases, including interest, are:

| <b>Fiscal Year</b> | <b>Principal</b>    | <b>Interest</b>   | <b>Total</b>        |
|--------------------|---------------------|-------------------|---------------------|
| 2025               | \$ 20,363           | \$ 21,461         | \$ 41,824           |
| 2026               | 21,162              | 21,079            | 42,241              |
| 2027               | 25,185              | 20,629            | 45,814              |
| 2028               | 26,088              | 20,160            | 46,248              |
| 2029               | 27,018              | 19,672            | 46,690              |
| 2030-2034          | 161,235             | 90,030            | 251,265             |
| 2035-2039          | 210,576             | 72,880            | 283,456             |
| 2040-2044          | 269,147             | 50,760            | 319,907             |
| 2045-2049          | 338,443             | 22,751            | 361,194             |
| 2050-2051          | 86,328              | 904               | 87,232              |
| Total              | <u>\$ 1,185,545</u> | <u>\$ 340,326</u> | <u>\$ 1,525,871</u> |

|                                    | <b>Balance<br/>July, 1 2023</b> | <b>Additions</b> | <b>Deletions</b>   | <b>Balance<br/>June 30, 2024</b> |
|------------------------------------|---------------------------------|------------------|--------------------|----------------------------------|
| Lease deferred inflow amortization | <u>\$ 1,158,865</u>             | <u>\$ -</u>      | <u>\$ (42,815)</u> | <u>\$ 1,116,050</u>              |

**Note 5 – Interfund Transactions**

**A. Due To/(From) Other Funds**

|                             | <b>Due to<br/>Other Funds</b> |
|-----------------------------|-------------------------------|
| <b>Due From Other Funds</b> | <b>General<br/>Fund</b>       |
| Sewer Maintenance           | <u>\$ 408,312</u>             |

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

**Salton Community Services District**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2024**

**Note 6 – Capital Assets**

**A. Governmental Activities**

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

|                                | <b>Balance<br/>July 1, 2023</b> | <b>Additions</b> | <b>Deletions/<br/>Transfers</b> | <b>Balance<br/>June 30, 2024</b> |
|--------------------------------|---------------------------------|------------------|---------------------------------|----------------------------------|
| Non-depreciable assets:        |                                 |                  |                                 |                                  |
| Construction-in progress       | \$ 13,735                       | \$ 8,205         | \$ -                            | \$ 21,940                        |
| Total non-depreciable assets   | 13,735                          | 8,205            | -                               | 21,940                           |
| Depreciable assets:            |                                 |                  |                                 |                                  |
| Buildings                      | 462,534                         | 14,593           | -                               | 477,127                          |
| Equipment                      | 172,736                         | -                | -                               | 172,736                          |
| Total depreciable assets       | 635,270                         | 14,593           | -                               | 649,863                          |
| Accumulated depreciation:      |                                 |                  |                                 |                                  |
| Buildings                      | (459,334)                       | (384)            | -                               | (459,718)                        |
| Equipment                      | (134,201)                       | (7,634)          | -                               | (141,835)                        |
| Total accumulated depreciation | (593,535)                       | (8,018)          | -                               | (601,553)                        |
| Total depreciable assets, net  | 41,735                          | 6,575            | -                               | 48,310                           |
| Total capital assets, net      | \$ 55,470                       | \$ 14,780        | \$ -                            | \$ 70,250                        |

Depreciation expense in the amount of \$6,575 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, 2024**

**Note 6 – Capital Assets (Continued)**

**B. Business-type Activities**

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

|                                | Balance<br>July 1, 2023 | Additions    | Deletions/<br>Transfers | Balance<br>June 30, 2024 |
|--------------------------------|-------------------------|--------------|-------------------------|--------------------------|
| Depreciable assets:            |                         |              |                         |                          |
| Office Building                | \$ 1,205,666            | \$ -         | \$ (8,813)              | \$ 1,196,853             |
| Office Equipment               | 3,000                   | -            | 8,813                   | 11,813                   |
| Pump Stations                  | 1,780,549               | 5,614        | -                       | 1,786,163                |
| Sewers                         | 2,786,725               | -            | -                       | 2,786,725                |
| Equipment                      | 1,302,179               | 18,856       | -                       | 1,321,035                |
| Structures & Improvements      | 533,874                 | -            | -                       | 533,874                  |
| Motor Vehicles                 | 1,914,897               | -            | -                       | 1,914,897                |
| Total depreciable assets       | 9,526,890               | 24,470       | -                       | 9,551,360                |
| Accumulated depreciation:      |                         |              |                         |                          |
| Office Building                | (1,196,853)             | -            | -                       | (1,196,853)              |
| Office Equipment               | (3,000)                 | (881)        | -                       | (3,881)                  |
| Pump Stations                  | (1,730,778)             | (1,634)      | -                       | (1,732,412)              |
| Sewers                         | (2,707,284)             | (5,296)      | -                       | (2,712,580)              |
| Equipment                      | (645,680)               | (66,849)     | -                       | (712,529)                |
| Structures & Improvements      | (533,874)               | -            | -                       | (533,874)                |
| Motor Vehicles                 | (1,098,552)             | (133,935)    | -                       | (1,232,487)              |
| Total accumulated depreciation | (7,916,021)             | (208,595)    | -                       | (8,124,616)              |
| Total depreciable assets, net  | 1,610,869               | (184,125)    | -                       | 1,426,744                |
| Total capital assets, net      | \$ 1,610,869            | \$ (184,125) | \$ -                    | \$ 1,426,744             |

Depreciation expense in the amount of \$208,595 was charged to Sewer Maintenance in the business-type activities.

**Note 7 – Compensated Absences**

Compensated absences comprise unpaid vacation leave, sick leave and compensating time off which is accrued as earned. The District's liability for compensated absences is determined annually. The summary of changes to the compensated absences balance for the year ended June 30, 2024 were as follows:

|                          | Balance<br>July 1, 2023 | Additions        | Deletions          | Balance<br>June 30, 2024 | Current<br>Portion | Long-term<br>Portion |
|--------------------------|-------------------------|------------------|--------------------|--------------------------|--------------------|----------------------|
| Governmental activities  | \$ 12,952               | \$ 29,649        | \$ (8,471)         | \$ 34,130                | \$ 8,392           | \$ 25,738            |
| Business-type activities | 75,548                  | 19,808           | (22,749)           | 72,607                   | 23,274             | 49,333               |
| <b>Total</b>             | <b>\$ 88,500</b>        | <b>\$ 49,457</b> | <b>\$ (31,220)</b> | <b>\$ 106,737</b>        | <b>\$ 31,666</b>   | <b>\$ 75,071</b>     |

General Fund is used to liquidate the governmental fund's compensated absences liabilities.

**Salton Community Services District**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2024**

**Note 8 – Loan and Finance Purchase Payable**

Summary of changes in loans and finance purchase payable for the year ended June 30, 2024 are as follows:

|                                 | <u>Balance</u><br><u>July 1, 2023</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u><br><u>June 30, 2024</u> | <u>Current</u><br><u>Portion</u> | <u>Long-term</u><br><u>Portion</u> |
|---------------------------------|---------------------------------------|------------------|------------------|----------------------------------------|----------------------------------|------------------------------------|
| <b>Business-type activities</b> | \$ 868,326                            | \$ -             | \$ (134,758)     | \$ 733,568                             | \$ 98,071                        | \$ 635,497                         |

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 1<sup>st</sup> day of the months of July, August, September and October. The outstanding balance on the loan at June 30, 2024, was \$511,237.

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 9<sup>th</sup> day of the months of July, August, September and October. The outstanding balance on the financing agreement at June 30, 2024, was \$21,112.

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 1<sup>st</sup> day of February. The outstanding balance on the financing agreement at June 30, 2024, was \$201,219.

Future loan and financing payments are as follows:

| <u>Fiscal Year</u> | <u>Principal</u>  | <u>Interest</u>   | <u>Total</u>        |
|--------------------|-------------------|-------------------|---------------------|
| 2025               | \$ 98,071         | \$ 42,101         | \$ 140,172          |
| 2026               | 79,893            | 38,873            | 118,766             |
| 2027               | 82,954            | 35,814            | 118,768             |
| 2028               | 14,765            | 32,618            | 47,383              |
| 2029               | 15,833            | 31,550            | 47,383              |
| 2030-2034          | 98,078            | 138,837           | 236,915             |
| 2035-2039          | 139,038           | 97,877            | 236,915             |
| 2040-2044          | 197,103           | 39,811            | 236,914             |
| 2045               | 7,833             | 64                | 7,897               |
| Total              | <u>\$ 733,568</u> | <u>\$ 457,545</u> | <u>\$ 1,191,113</u> |

**Salton Community Services District**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2024**

**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>.

Employees Covered by Benefit Terms

At valuation date of June 30, 2022, the following employees were covered by the benefit terms:

|                                      | <u>Miscellaneous</u> | <u>Misc PEPPRA</u> | <u>Safety</u> | <u>Safety Fire<br/>PERPA</u> |
|--------------------------------------|----------------------|--------------------|---------------|------------------------------|
| Active employees                     | 3                    | 11                 | -             | -                            |
| Transferred and terminated employees | 2                    | -                  | -             | -                            |
| Separated                            | 9                    | 14                 | 1             | 1                            |
| Retired Employees and Beneficiaries  | 15                   | 1                  | -             | -                            |
| Total                                | <u>29</u>            | <u>26</u>          | <u>1</u>      | <u>1</u>                     |

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, 2023, are summarized as follows:

|                                          | <u>Miscellaneous</u>                |                                        | <u>Safety</u>                       |                                     |
|------------------------------------------|-------------------------------------|----------------------------------------|-------------------------------------|-------------------------------------|
|                                          | <u>Prior to<br/>January 1, 2013</u> | <u>On or after<br/>January 1, 2013</u> | <u>Prior to<br/>January 1, 2013</u> | <u>Prior to<br/>January 1, 2013</u> |
| 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%                               | 6.75%                                  | N/A                                 | 10.00%                              |
| Required employer contribution rates     | 9.12%                               | 7.47%                                  | 14.74%                              | 10.80%                              |

**Salton Community Services District**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2024**

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

**A. General Information about the Pension Plans (Continued)**

Contributions

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers will be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

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

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ended June 30, 2023 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2022 total pension liability. The June 30, 2023 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 <sup>1</sup> | 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 |

<sup>1</sup>The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2021 CalPERS Experience Study for the period from 2001 to 2019. Pre-retirement and Post-retirement mortality rates include 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 CalPERS Experience Study and Review of Actuarial Assumptions report from November 2021 that can be found on the CalPERS website.

Change of Assumption

In 2023, 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.

**Salton Community Services District**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2024**

**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*

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.

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:

| <b>Asset class<sup>1</sup></b>   | <b>Assumed asset allocation</b> | <b>Real Return<sup>1,2</sup></b> |
|----------------------------------|---------------------------------|----------------------------------|
| 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%                           |
|                                  | <b>100.00%</b>                  |                                  |

(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:

| <b>Plan Type</b> | <b>Plan's Net Pension Liability/(Asset)</b> |                                        |                                     |
|------------------|---------------------------------------------|----------------------------------------|-------------------------------------|
|                  | <b>Discount Rate - 1%<br/>5.90%</b>         | <b>Current Discount<br/>Rate 6.90%</b> | <b>Discount Rate + 1%<br/>7.90%</b> |
| Miscellaneous    | \$ 1,150,227                                | \$ 714,098                             | \$ 355,126                          |
| Safety           | (588,596)                                   | (593,901)                              | (598,238)                           |
| Total            | <b>\$ 561,631</b>                           | <b>\$ 120,197</b>                      | <b>\$ (243,112)</b>                 |

**Salton Community Services District**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2024**

**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)***

*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.

*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) |
| <b>Miscellaneous</b>                   |                     |                |                   |
| Balance at: 6/30/22 (Valuation date)   | \$ 3,153,135        | \$ 2,495,476   | \$ 657,659        |
| Balance at: 6/30/23 (Measurement date) | 3,224,720           | 2,510,622      | 714,098           |
| Net Changes during 2022-2023           | 71,585              | 15,146         | 56,439            |
| <b>Safety</b>                          |                     |                |                   |
| Balance at: 6/30/22 (Valuation date)   | \$ 36,499           | \$ 597,967     | \$ (561,468)      |
| Balance at: 6/30/23 (Measurement date) | 38,673              | 632,574        | (593,901)         |
| Net Changes during 2022-2023           | 2,174               | 34,607         | (32,433)          |

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, 2022). 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, 2023). 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, 2023 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2022-2023).
- (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.

**Salton Community Services District**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2024**

**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)*

(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).

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, 2023 was as follows:

|                              | <u>Miscellaneous</u> | <u>Safety</u>   | <u>Total</u>    |
|------------------------------|----------------------|-----------------|-----------------|
| Proportion - June 30, 2022   | 0.014050%            | -0.00817%       | -0.00803%       |
| Proportion - June 30, 2023   | 0.014280%            | -0.00795%       | 0.00083%        |
| Change - Increase (Decrease) | <u>0.00023%</u>      | <u>0.00022%</u> | <u>0.00886%</u> |

The expected average remaining service lifetime ("EARSLS") is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the risk pool. The EARSLS for risk pool for the measurement period ending June 30, 2023 is 3.8 years, which was obtained by dividing the total service years of 600,538 (the sum of remaining service lifetimes of the active employees) by 160,073 (the total number of participants: active, inactive, and retired).

For the year ended June 30, 2024, the District recognized pension expense of \$185,443. At June 30, 2024 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<br/>of Resources</u> | <u>Deferred Inflows<br/>of Resources</u> | <u>Deferred Outflows<br/>of Resources</u> | <u>Deferred Inflows<br/>of Resources</u> |
| Changes in assumptions                                                                        | \$ 43,113                                 | \$ -                                     | \$ -                                      | \$ (34,661)                              |
| Differences between expected and actual experience                                            | 36,480                                    | (5,659)                                  | 3,733                                     | (43,603)                                 |
| Differences between projected and actual investment earnings                                  | 115,619                                   | -                                        | -                                         | (81,275)                                 |
| Difference between employer's contributions and proportionate share of employer contributions | 6,806                                     | (27,716)                                 | -                                         | (42,432)                                 |
| Changes in employer's proportion                                                              | 37,233                                    | (2,276)                                  | 80,699                                    | (3,273)                                  |
| Pension contributions made subsequent to measurement date                                     | 102,715                                   | -                                        | 296                                       | -                                        |
| <b>Total Deferred Outflows/(Inflows) of Resources</b>                                         | <u>\$ 341,966</u>                         | <u>\$ (35,651)</u>                       | <u>\$ 84,728</u>                          | <u>\$ (205,244)</u>                      |

**Salton Community Services District**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2024**

**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)*

The District reported \$103,011 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:

| <b>Measurement Period<br/>Ended June 30:</b> | <b>Miscellaneous</b> | <b>Safety</b>       | <b>Totals</b>    |
|----------------------------------------------|----------------------|---------------------|------------------|
| 2024                                         | \$ 65,586            | \$ (23,749)         | \$ 41,837        |
| 2025                                         | 46,101               | (23,453)            | 22,648           |
| 2026                                         | 88,595               | (71,342)            | 17,253           |
| 2027                                         | 3,318                | (2,268)             | 1,050            |
| 2028                                         | -                    | -                   | -                |
| Thereafter                                   | -                    | -                   | -                |
| Total                                        | <u>\$ 203,600</u>    | <u>\$ (120,812)</u> | <u>\$ 82,788</u> |

**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.

**Salton Community Services District**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2024**

**Note 10 – Other Post-Employment Benefits (Continued)**

**A. General Information about the OPEB Plan (Continued)**

**Plan Description (Continued)**

*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 <sup>a</sup> |
| Active plan members                                                         | 1              |
| Total                                                                       | <u>8</u>       |

<sup>a</sup> 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                                | 5.50 percent for 2024, 5.25 percent for 2025-2029, 5.00 percent for 2030-2039, 4.75 percent for 2040-2049, 4.50 percent for 2050-2069, and 4.00 percent for 2070 and later years. |
| Preretirement Mortality                                   | Preretirement Mortality Rates for Public Agency Miscellaneous from 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, 2023 to June 30, 2024.

*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:

|                |                  | Fidelity GO AA<br>20 Years |               |
|----------------|------------------|----------------------------|---------------|
| Reporting Date | Measurement Date | Municipal Index            | Discount Rate |
| June 30, 2024  | June 30, 2024    | 3.97%                      | 3.97%         |

**Salton Community Services District**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2024**

**Note 10 – Other Post-Employment Benefits (Continued)**

**B. Net OPEB Liability (Continued)**

Schedule of Changes in Total OPEB Liability (July 1, 2023 to June 30, 2024)

|                                                    | <b>Total OPEB<br/>Liability</b> |
|----------------------------------------------------|---------------------------------|
| Service cost                                       | \$ 1,012                        |
| Interest                                           | 12,840                          |
| Differences between expected and actual experience | (61,860)                        |
| Changes in assumptions or other inputs             | (3,391)                         |
| Benefit payments <sup>1</sup>                      | (29,527)                        |
| Net change in total OPEB liability                 | (80,926)                        |
| Total OPEB liability - July 1, 2023                | 408,125                         |
| Total OPEB liability June 30, 2024                 | \$ 327,199                      |

<sup>1</sup>Includes \$29,527 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:

| <b>Plan's OPEB Liability/(Asset)</b> |                                  |                                |
|--------------------------------------|----------------------------------|--------------------------------|
| <b>1% Decrease<br/>(2.97%)</b>       | <b>Discount Rate<br/>(3.97%)</b> | <b>1% Increase<br/>(4.97%)</b> |
| \$ 360,336                           | \$ 327,199                       | \$ 298,890                     |

*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:

| <b>Plan's OPEB Liability/(Asset)</b> |                                       |                    |
|--------------------------------------|---------------------------------------|--------------------|
| <b>1% Decrease</b>                   | <b>Healthcare Cost<br/>Trend Rate</b> | <b>1% Increase</b> |
| \$ 327,200                           | \$ 327,199                            | \$ 327,200         |

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

On June 30, 2024, the District's deferred outflows of resources and deferred inflows of resources to OPEB from the following sources are:

|                                            | <b>Deferred Outflows<br/>of Resources</b> | <b>Deferred Inflows<br/>of Resources</b> |
|--------------------------------------------|-------------------------------------------|------------------------------------------|
| Difference between expected and experience | \$ -                                      | \$ (33,742)                              |
| Changes in assumptions or other inputs     | -                                         | (4,249)                                  |
| Total                                      | \$ -                                      | \$ (37,991)                              |

**Salton Community Services District**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2024**

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**Note 10 – Other Post-Employment Benefits (Continued)**

**B. Net OPEB Liability (Continued)**

**Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)**

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

| Fiscal Year<br>ending June 30: | Deferred Outflows<br>(Inflows) of Resources |
|--------------------------------|---------------------------------------------|
| 2025                           | \$ (31,840)                                 |
| 2026                           | (6,151)                                     |
| 2027                           | -                                           |
| 2028                           | -                                           |
| 2029                           | -                                           |
| Thereafter                     | -                                           |
|                                | <u>\$ (37,991)</u>                          |

**OPEB Expense**

The District's OPEB expense (credit) was in the amount of (\$34,963).

**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, 2024**

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**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, 2024, 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, 2024**

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**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 2024, 2023, and 2022. 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, 2024, 2023, and 2022.

**Note 13 – Commitments and Contingencies**

***A. Commitments***

The District had no material commitments as of June 30, 2024.

***B. Contingencies***

In 2021 The District began an investigation to determine the extent of employee theft committed against the District. The amount of the theft attributed to the fiscal year ended June 30, 2022, has not been determined. The District is also in litigation to recover a payment made to a former General Manager of the District for \$192,000. The District obtained a judgment against the former General Manager on April 11, 2024, in the amount of \$253,072. The former General Manager passed away on October 6, 2024. Accordingly, the District has decided not to pursue further collection efforts related to the judgment.

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 and pass a resolution.

## **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, 2024**

|                                   | <b>Original<br/>Budget</b> | <b>Final<br/>Budget</b> | <b>Actual</b>    | <b>Variance<br/>Positive<br/>(Negative)</b> |
|-----------------------------------|----------------------------|-------------------------|------------------|---------------------------------------------|
| <b>REVENUES:</b>                  |                            |                         |                  |                                             |
| Taxes                             | \$ 313,300                 | \$ 313,300              | \$ 288,482       | \$ (24,818)                                 |
| Intergovernmental                 | 377,000                    | 377,000                 | 62,989           | (314,011)                                   |
| Charges for services              | -                          | -                       | 11,676           | 11,676                                      |
| Use of money and property         | 79,937                     | 79,937                  | 24,206           | (55,731)                                    |
| Miscellaneous                     | 201,000                    | 201,000                 | 49,474           | (151,526)                                   |
| <b>Total revenues</b>             | <u>971,237</u>             | <u>971,237</u>          | <u>436,827</u>   | <u>(534,410)</u>                            |
| <b>EXPENDITURES:</b>              |                            |                         |                  |                                             |
| Current:                          |                            |                         |                  |                                             |
| Administrative                    | 359,647                    | 359,647                 | 318,416          | 41,231                                      |
| Fire                              | 7,755                      | 7,755                   | 8,699            | (944)                                       |
| Public works                      | 179,805                    | 179,805                 | 176,104          | 3,701                                       |
| Parks and recreation              | 417,400                    | 417,400                 | 28,240           | 389,160                                     |
| <b>Total expenditures</b>         | <u>964,607</u>             | <u>964,607</u>          | <u>531,459</u>   | <u>433,148</u>                              |
| <b>NET CHANGE IN FUND BALANCE</b> | <u>\$ 6,630</u>            | <u>\$ 6,630</u>         | (94,632)         | <u>\$ (101,262)</u>                         |
| <b>FUND BALANCE:</b>              |                            |                         |                  |                                             |
| Beginning of year                 |                            |                         | 151,962          |                                             |
| End of year                       |                            |                         | <u>\$ 57,330</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) and Related Ratios**  
**For the Year Ended June 30, 2024**

**Last Ten Fiscal Years**

**California Public Employees' Retirement System (CalPERS)**

| <b>Measurement Date:</b>                                                                       | <b>Miscellaneous Plans</b> |                      |                      |                      |                      |
|------------------------------------------------------------------------------------------------|----------------------------|----------------------|----------------------|----------------------|----------------------|
|                                                                                                | <b>June 30, 2023</b>       | <b>June 30, 2022</b> | <b>June 30, 2021</b> | <b>June 30, 2020</b> | <b>June 30, 2019</b> |
| District's Proportion of the Net Pension Liability                                             | 0.0143%                    | 0.0141%              | 0.0097%              | 0.0123%              | 0.0114%              |
| District's Proportionate Share of the Net Pension Liability (Asset)                            | \$ 714,098                 | \$ 657,659           | \$ 183,555           | \$ 518,021           | \$ 455,534           |
| District's Covered Payroll                                                                     | \$ 696,968                 | \$ 679,969           | \$ 663,384           | \$ 742,541           | \$ 630,683           |
| District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll | 102.46%                    | 96.72%               | 27.67%               | 69.76%               | 72.23%               |
| Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability            | 77.97%                     | 78.19%               | 90.49%               | 77.71%               | 77.73%               |

| <b>Measurement Date:</b>                                                                       | <b>Safety Plans</b>  |                      |                      |                      |                      |
|------------------------------------------------------------------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
|                                                                                                | <b>June 30, 2023</b> | <b>June 30, 2022</b> | <b>June 30, 2021</b> | <b>June 30, 2020</b> | <b>June 30, 2019</b> |
| District's Proportion of the Net Pension Liability                                             | -0.0080%             | -0.0082%             | -0.0176%             | -0.0075%             | -0.0076%             |
| District's Proportionate Share of the Net Pension Liability (Asset)                            | \$ (593,901)         | \$ (561,468)         | \$ (617,957)         | \$ (498,143)         | \$ (476,140)         |
| District's Covered Payroll                                                                     | \$ -                 | \$ -                 | \$ -                 | \$ 55,360            | \$ 49,947            |
| District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll | 0.00%                | 0.00%                | 0.00%                | 0.00%                | -953.29%             |
| Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability            | 74.87%               | 75.53%               | 86.61%               | 73.12%               | 73.37%               |

**Salton Community Services District**  
**Required Supplementary Information (Unaudited)**

**Schedule of the District's Proportionate Share of the Plan's Net Pension Liability (Asset) and Related Ratios (Continued)**  
**For the Year Ended June 30, 2024**

**Last Ten Fiscal Years**

**California Public Employees' Retirement System (CalPERS)**

| <b>Measurement Date:</b>                                                                       | <b>Miscellaneous Plans</b> |                      |                      |                      |                      |
|------------------------------------------------------------------------------------------------|----------------------------|----------------------|----------------------|----------------------|----------------------|
|                                                                                                | <b>June 30, 2018</b>       | <b>June 30, 2017</b> | <b>June 30, 2016</b> | <b>June 30, 2015</b> | <b>June 30, 2014</b> |
| District's Proportion of the Net Pension Liability                                             | 0.0106%                    | 0.0106%              | 0.0102%              | 0.0074%              | 0.0058%              |
| District's Proportionate Share of the Net Pension Liability (Asset)                            | \$ 397,617                 | \$ 419,083           | \$ 353,431           | \$ 201,654           | \$ 142,579           |
| District's Covered Payroll                                                                     | \$ 634,341                 | \$ 554,370           | \$ 547,936           | \$ 549,510           | \$ 568,458           |
| District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll | 62.68%                     | 75.60%               | 64.50%               | 36.70%               | 25.08%               |
| Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability            | 77.89%                     | 75.39%               | 75.87%               | 79.89%               | 81.15%               |

| <b>Measurement Date:</b>                                                                       | <b>Safety Plans</b>  |                      |                      |                      |                      |
|------------------------------------------------------------------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
|                                                                                                | <b>June 30, 2018</b> | <b>June 30, 2017</b> | <b>June 30, 2016</b> | <b>June 30, 2015</b> | <b>June 30, 2014</b> |
| District's Proportion of the Net Pension Liability                                             | -0.0077%             | -0.0070%             | -0.0072%             | -0.0091%             | -0.0012%             |
| District's Proportionate Share of the Net Pension Liability (Asset)                            | \$ (449,408)         | \$ (415,740)         | \$ (374,003)         | \$ (374,390)         | \$ (375,335)         |
| District's Covered Payroll                                                                     | \$ 56,208            | \$ 54,566            | \$ 54,026            | \$ 52,452            | \$ 34,343            |
| District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll | -799.54%             | -761.90%             | -692.26%             | -713.78%             | -1092.90%            |
| Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability            | 73.39%               | 71.74%               | 72.69%               | 77.27%               | 78.83%               |

**Salton Community Services District**  
**Required Supplementary Information (Unaudited)**  
**Schedule of Contributions - Pensions**  
**For the Year Ended June 30, 2024**

**Last Ten Fiscal Years**

**California Public Employees' Retirement System (CalPERS)**

| <b>Fiscal Year:</b>                                                              | <b>Miscellaneous Plans</b> |                      |                      |                      |                      |
|----------------------------------------------------------------------------------|----------------------------|----------------------|----------------------|----------------------|----------------------|
|                                                                                  | <b>June 30, 2024</b>       | <b>June 30, 2023</b> | <b>June 30, 2022</b> | <b>June 30, 2021</b> | <b>June 30, 2020</b> |
| Actuarially Determined Contribution <sup>1</sup>                                 | \$ 102,715                 | \$ 113,607           | \$ 48,327            | \$ 55,869            | \$ 60,293            |
| Contribution in Relation to the Actuarially Determined Contribution <sup>1</sup> | (102,715)                  | (113,607)            | (48,327)             | (55,869)             | (60,293)             |
| Contribution Deficiency (Excess)                                                 | \$ -                       | \$ -                 | \$ -                 | \$ -                 | \$ -                 |
| District's Covered Payroll                                                       | \$ 714,392                 | \$ 696,968           | \$ 679,969           | \$ 663,384           | \$ 742,541           |
| Contributions as a Percentage of Covered Payroll                                 | 14.378%                    | 16.300%              | 7.107%               | 8.422%               | 8.120%               |

| <b>Fiscal Year:</b>                                                              | <b>Safety Plans</b>  |                      |                      |                      |                      |
|----------------------------------------------------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
|                                                                                  | <b>June 30, 2024</b> | <b>June 30, 2023</b> | <b>June 30, 2022</b> | <b>June 30, 2021</b> | <b>June 30, 2020</b> |
| Actuarially Determined Contribution <sup>1</sup>                                 | \$ 296               | \$ 1,015             | \$ -                 | \$ -                 | \$ 5,645             |
| Contribution in Relation to the Actuarially Determined Contribution <sup>1</sup> | (296)                | (1,015)              | -                    | -                    | (5,645)              |
| Contribution Deficiency (Excess)                                                 | \$ -                 | \$ -                 | \$ -                 | \$ -                 | \$ -                 |
| District's Covered Payroll                                                       | \$ -                 | \$ -                 | \$ -                 | \$ -                 | \$ 55,360            |
| Contributions as a Percentage of Covered Payroll                                 | 0.000%               | 0.000%               | 0.000%               | 0.000%               | 10.197%              |

<sup>1</sup> 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 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, 2024**

**Last Ten Fiscal Years**

**California Public Employees' Retirement System (CalPERS)**

| <b>Fiscal Year:</b>                                                              | <b>Miscellaneous Plans</b> |                      |                      |                      |                      |
|----------------------------------------------------------------------------------|----------------------------|----------------------|----------------------|----------------------|----------------------|
|                                                                                  | <b>June 30, 2019</b>       | <b>June 30, 2018</b> | <b>June 30, 2017</b> | <b>June 30, 2016</b> | <b>June 30, 2015</b> |
| Actuarially Determined Contribution <sup>1</sup>                                 | \$ 46,278                  | \$ 46,833            | \$ 40,922            | \$ 38,917            | \$ 39,720            |
| Contribution in Relation to the Actuarially Determined Contribution <sup>1</sup> | (46,278)                   | (46,833)             | (40,922)             | (38,917)             | (39,720)             |
| Contribution Deficiency (Excess)                                                 | \$ -                       | \$ -                 | \$ -                 | \$ -                 | \$ -                 |
| District's Covered Payroll                                                       | \$ 630,683                 | \$ 634,341           | \$ 554,370           | \$ 547,936           | \$ 549,510           |
| Contributions as a Percentage of Covered Payroll                                 | 7.338%                     | 7.383%               | 7.382%               | 7.102%               | 7.228%               |

| <b>Fiscal Year:</b>                                                              | <b>Safety Plans</b>  |                      |                      |                      |                      |
|----------------------------------------------------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
|                                                                                  | <b>June 30, 2019</b> | <b>June 30, 2018</b> | <b>June 30, 2017</b> | <b>June 30, 2016</b> | <b>June 30, 2015</b> |
| Actuarially Determined Contribution <sup>1</sup>                                 | \$ 5,310             | \$ 3,392             | \$ 3,500             | \$ 3,023             | \$ 2,967             |
| Contribution in Relation to the Actuarially Determined Contribution <sup>1</sup> | (5,310)              | (3,392)              | (3,500)              | (3,023)              | (2,967)              |
| Contribution Deficiency (Excess)                                                 | \$ -                 | \$ -                 | \$ -                 | \$ -                 | \$ -                 |
| District's Covered Payroll                                                       | \$ 49,947            | \$ 56,208            | \$ 54,566            | \$ 54,026            | \$ 52,452            |
| Contributions as a Percentage of Covered Payroll                                 | 10.631%              | 6.035%               | 6.414%               | 5.595%               | 5.657%               |

<sup>1</sup> 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 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, 2024**

**Last Ten Fiscal Years**

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

<sup>1</sup> 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, 2024**

**Last Ten Fiscal Years**

| <b>Fiscal Year:</b>                                                 | <b>June 30, 2024</b> | <b>June 30, 2023</b> | <b>June 30, 2022</b> | <b>June 30, 2021<sup>1</sup></b> |
|---------------------------------------------------------------------|----------------------|----------------------|----------------------|----------------------------------|
| Actuarially Determined Contribution                                 | \$ 42,983            | \$ 42,983            | \$ 42,983            | \$ 42,983                        |
| Contribution in Relation to the Actuarially Determined Contribution | (29,527)             | (26,950)             | (37,632)             | (34,041)                         |
| Contribution Deficiency (Excess)                                    | \$ 13,456            | \$ 16,033            | \$ 5,351             | \$ 8,942                         |
| District's Covered-Employee Payroll                                 | \$ 93,952            | \$ 256,010           | \$ 246,648           | \$ 559,280                       |
| Contributions as a Percentage of Covered-Employee Payroll           | 31.43%               | 10.53%               | 15.26%               | 6.09%                            |

<sup>1</sup> Historical information is presented only for measurement periods for which GASB No. 75 is available.

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