

SPALDING COMMUNITY SERVICES DISTRICT

BOARD OF DIRECTORS

MEETING AGENDA

JULY 15, 2022

3:00 PM

MEMBERS OF THE BOARD
MIKE ARNOLD, BOARD CHAIR
TED THOMAS, BOARD VICE CHAIR
LARRY DOSS, DIRECTOR
ED LAWSON, DIRECTOR
RON LOBUE, DIRECTOR



MEETING LOCATION
EAGLE LAKE COMMUNITY CENTER
502-907 MAHOGANY WAY, SUSANVILLE, CA 96130
530-825-3258

WELCOME TO THE SCSD BOARD MEETING - PLEASE SIGN IN

Welcome to the SCSD Board Meeting! Members of the public may provide public comment on any item on the Board's agenda, or on any item that is within the subject matter jurisdiction of this Board. Public comments are limited to five (5) minutes (unless the Chairman of the Board grants a longer period of time). Comments by members of the public on an item that appears on the agenda will only be allowed during consideration of the item by the Board.

CALL TO ORDER

ROLL CALL

Mike Arnold Ted Thomas Larry Doss
 Ed Lawson Ron LoBue

1. PLEDGE OF ALLEGIANCE
2. PUBLIC COMMENT - Members of the public may provide public comment on any item on the Board's agenda, or on any item that is within the subject matter jurisdiction of this Board. Public comments are limited to five (5) minutes (unless the Chairman of the Board grants a longer period of time).
3. APPROVAL OF THE AGENDA
4. APPROVAL OF MINUTES
 - A. Submitted for approval are the minutes from June 17, 2022 Board of Directors Meeting.
 - B. Submitted for approval are the minutes from June 28, 2022 Budget Public Hearing.
5. FIRE CHIEF REPORT TO BOARD
6. GENERAL MANAGER REPORT TO BOARD
 - A. 2021/2022 End-of-year Budget Report (tentative)
 - B. Management Report from Final Audit 2021/2022 for review
7. BOARD MEMBER REPORTS / BOARD MEMBER COMMENTS

8. NEW BUSINESS

- A. Resolution 2022-04 2022-2023 approving Fiscal Year Budget
- B. Special Assessment for Fire Fees: Approve the special assessments for fire fees due to properties being improved or merged (increase of \$4,835)

9. CONTINUING BUSINESS

- A. 2022 SCSD Sewer Rate Increase – No new data

10. ADJOURN

NEXT REGULAR MEETING IS SCHEDULED FOR AUGUST 19, 2022 AT 3:00 PM

APPROVAL OF MINUTES

**SPALDING COMMUNITY SERVICES DISTRICT
REGULAR BOARD MEETING
June 17, 2022**

APPROVED BY DIRECTORS:

MEETING CALLED TO ORDER: Mike Arnold, 3:00 pm

Roll Call	Present	Not Present
Mike Arnold	<u> X </u>	<u> </u>
Ted Thomas	<u> X </u>	<u> </u>
Larry Doss	<u> X </u>	<u> </u>
Ed Lawson	<u> X </u>	<u> </u>
Ronald LoBue	<u> </u>	<u> X </u>

1. PLEDGE OF ALLEGIANCE

The Pledge of Allegiance was spoken.

2. PUBLIC COMMENT

There was no public comment

3. APPROVAL OF THE AGENDA

Motion: Approve the current agenda
First: Mike Arnold **Second:** Ted Thomas
Roll Call: Yes: Larry Doss, Mike Arnold, Ted Thomas, Ed Lawson
Absent: Ronald LoBue

4. APPROVAL OF MINUTES

The minutes from the April 22, 2022, Board Meeting were approved with changes.

Motion: Approve April 22, 2022 minutes with changes.
First: Ted Thomas **Second:** Mike Arnold
Roll Call: Yes: Larry Doss, Mike Arnold, Ted Thomas, Ed Lawson
Absent: Ronald LoBue

The minutes from the May 2, 2022 Special Board Meeting were approved with changes.

Motion: Approve May 2, 2022 minutes with changes.
First: Larry Doss **Second:** Ed Lawson
Roll Call: Yes: Larry Doss, Mike Arnold, Ed Lawson
Abstain: Ted Thomas (not present at May 2nd meeting)
Absent: Ronald LoBue

The May 20, 2022 Board Meeting minutes were approved.

Motion: Approve all minutes
First: Larry Doss **Second:** Mike Arnold
Roll Call: Yes: Larry Doss, Mike Arnold, Ted Thomas, Ed Lawson
Absent: Ronald LoBue

5. **FIRE CHIEF REPORT TO BOARD**

No report.

6. **GENERAL MANAGER REPORT TO THE BOARD**

A. 2021 – 2022 Budget Report through May 31, 2022

It was noted that as of the end of May, 2022 there was approximately \$10,000 remaining in the yearly budget for 2021/2022. It was noted that this should be suitable for keeping the District in the black for the last month of the fiscal year – including payroll and expenses. There was some discussion regarding revenue also being posted before the end of the fiscal year. Also noted was the outstanding payment from the State Grant through the City of Susanville (for the pond and weather station) which continues to be outstanding. That payment is considerable, and will go back into the Capital Improvement account. This was one grant with three recipients – all recipients are waiting for repayments.

There was further discussion regarding expenses – professional/specialized services – asking about it being over budget. This is an account that is somewhat of a “catch-all” account and needs to be broken down into separate uses. Further discussion regarding future changes to the way the budget accounts will be tracked in the District’s accounting system.

There was also some discussion regarding the Land Lease from the State regarding the Marina (Recreation Department). There needs to be a document regarding a “loan” from Sewer to the Rec. Dept. because it has no income coming from the marina, but it continues to have some expenses (mostly in maintenance).

7. **BOARD MEMBERS REPORTS**

There were no Board reports. Larry mentioned wanting to do some cleaning where the marina is usually placed because some maintenance is needed. Further discussion regarding private docks being left stored on leased land near the marina, the District’s liability for those docks, and owner’s continued purchase of liability insurance.

8. **NEW BUSINESS**

For review – 2020/2021 Spalding Audit (Draft). This is an extensive draft, but generally the audit was positive. Marly provided an overview of the results – positive and negative – and provided some information which will answer and solve many of the problems. It was noted that having the County handle the accounting of the District makes it very difficult to pinpoint discrepancies. Many of the audit discrepancies seem to be because of grant funds not being collected to date. There was some further discussion regarding working with the County regarding collecting funds.

It was also noted that at least three quotes from Auditors should be obtained for the upcoming years.

9. **CONTINUING BUSINESS**

A. Fire District regarding kitchen oven donations – no new business. There was some discussion regarding finding another oven, the budget involved, and where it sits in the District’s budget. Amy said she would begin a search.

B. 2022 SCSD Sewer Rate Study – NorthStar Engineering. It is now to the point where the District is considering having legal counsel send a “demand” letter to NorthStar. The contract with NorthStar was very specific regarding what the District was needing in order to best reflect the possible need for a sewer rate increase. This contract was signed in 2019 – and nothing has been completed from this Engineering firm – which puts them out of compliance with their contract. There was some discussion regarding the process of the public voting for any possible rate increase.

10. **ADJOURN**

The meeting was adjourned at 4:00 pm

Motion: Motion to adjourn

First: Ted Thomas Second: Ed Lawson

Roll Call: Yes: Larry Doss, Mike Arnold, Ted Thomas, Ed Lawson

Absent: Ronald LoBue

Respectfully submitted by: Sharon Moats & Marlane Morse

**SPALDING COMMUNITY SERVICES DISTRICT
PUBLIC HEARING BUDGET MEETING
June 28, 2022**

APPROVED BY DIRECTORS:

MEETING CALLED TO ORDER: Mike Arnold, 10:02 am

Roll Call	Present	Not Present
Mike Arnold	<u> X </u>	<u> </u>
Ted Thomas	<u> X </u>	<u> </u>
Larry Doss	<u> X </u>	<u> </u>
Ed Lawson	<u> X </u>	<u> </u>
Ronald LoBue	<u> </u>	<u> X </u>

1. PLEDGE OF ALLEGIANCE

The Pledge of Allegiance was spoken.

2. APPROVAL OF THE AGENDA

Motion: Approve the current agenda

First: Ed Lawson **Second:** Larry Doss

Roll Call: **Yes:** Larry Doss, Mike Arnold, Ted Thomas, Ed Lawson
Absent: Ronald LoBue

3. PUBLIC COMMENT

Vicky Schumacher - asked about specific expenses regarding specialized services, and questioned if there were expenses related to our wastewater treatment operator not being certified. She questioned FEMA Grant bills and whether there were breakdowns for those invoices. Her questions were answered by the Board.

4. NEW BUSINESS

A. 2022/2023 Spalding Budget Discussion: There was general discussion regarding the 22/23 Budget. The Board decided to remove the \$12 discount for annual sewer fees, and questioned equipment maintenance funds. The preliminary budget was approved and will be on the July Board meeting for final approval.

5. ADJOURN

The meeting was adjourned at 12:00 pm

Motion: Motion to adjourn

First: Mike Arnold **Second:** Larry Doss

Roll Call: **Yes:** Larry Doss, Mike Arnold, Ted Thomas, Ed Lawson
Absent: Ronald LoBue

Respectfully submitted by: Sharon Moats & Marlane Morse

GENERAL MANAGER REPORT

Spalding CSD Finance Worksheet - through June 2022 (Tentative)

Revenue

Account #	Balances and Income	225 Fire Fund			231 Rec Fund			227 Sewer Fund			21/22 FY	
		21/22 Budget	21/22 actual	+ / -	21/22 Budget	21/22 actual	+ / -	21/22 Budget	21/22 actual	+ / -	Remaining Budget	
0100000	Cash Balance											0.00
2011200	Rental Income (chairs, tables, building)											0.00
2011200	Rental Income (Directory Signs)											0.00
2011200	Fire Apparatus Rental											0.00
2011200	Misc Income (Donations, Equipment Sales, Etc.)		685.80	685.80					4,734.00	4,734.00	4,734.00	5,419.80
2012200	Operating Transfers In (Trust Account Transfers)		7,818.42	7,818.42	1,602.00	9.15	1,592.85	50,000.00	57,803.21	7,803.21	17,214.48	
2000904	Fire Parcel Assessment Fee (225 Fund)	32,724.00	31,033.31	1,690.69								1,690.69
2000905	Fire Parcel Assessment Fee Prior Year	2,110.00	917.23	1,192.77								1,192.77
2003000	Interest (Finance Charges)	1,439.00	678.96	760.04					261.47	261.47	261.47	1,021.51
2006200	State Grants		33,385.00	33,385.00								33,385.00
2007200	Federal Grants											0.00
2012200	Capital Improvement (Dev Imp Fees)											0.00
2008106	Sewer Service Fees											0.00
2010600	Sewer Operations/Maintenance Assessments							201,486.00	201,660.71	(174.71)	(174.71)	592.00
2000600	Other Charges Current Services							592.00		592.00	592.00	0.00
2001300	Annual Parking Permits											0.00
2001300	Day Use Fees											0.00
2001300	Dock Permit & Slip Sales											0.00
2020000	Revenue - Special Districts		10.00	10.00								10.00
	Revenue, Transfers In & Cash	36,273.00	74,528.72	38,255.72	1,602.00	9.15	1,592.85	252,078.00	264,459.39	12,381.39	338,997.26	

Spalding CSD Finance Worksheet - through June 2022 (Tentative)

EXPENSES

Account #	Balances and Income	225 Fire Fund			231 Rec Fund			227 Sewer Fund			21/22 FY	
		21/22	21/22	+/-	21/22	21/22	+/-	21/22	21/22	21/22	+	-
		Budget	actual		Budget	actual		Budget	actual	Budget	actual	
3000100	Salaries and Wages	2,000.00		2,000.00	1,430.00		1,430.00		1,16,956.00	68,201.13	48,754.87	
3000100	Volunteer Firefighter Stipend											
3000211	Special District Benefits	245.00		245.00		172.00			14,995.00	22,319.78	(7,324.78)	(6,907.78)
3001100	Clothing and Personal	500.00		500.00					25,381.00	25,941.30	(560.30)	500.00
3001200	Communications	4,500.00	86.94	4,413.06					65.00		65.00	3,852.76
3001300	Food	500.00	24.00	476.00					322.00	486.99	(164.99)	541.00
3001400	Household Expenses								14,817.00	20,516.21	(5,699.21)	(164.99)
3001500	Insurance (workers Comp/auto/Liability)	14,450.00	7,882.79	6,567.21		2.00	(2.00)		12,456.00	28,267.96	(15,811.96)	866.00
3001700	Maintenance - Equipment		1,288.05	(1,288.05)					4,446.00	5,945.55	(1,499.55)	(17,100.01)
3001701	Maintenance Vehicles & Fuel	8,000.00	4,298.03	3,701.97					2,719.00	7,382.59	(4,663.59)	2,202.42
3001800	Maintenance Building/Improvements	2,000.00	70.62	1,929.38					350.00		350.00	(2,734.21)
3001900	Medical Supplies	192.00	138.35	53.65					1,970.00	2,038.79	(68.79)	403.65
3002000	Memberships								2,208.00	4,171.22	(1,963.22)	(68.79)
3002200	Office Expenses	125.00		125.00					1,430.00	1,318.00	112.00	(1,838.22)
3002201	Postage											112.00
3002205	Grant Expenditures											
3002300	Professional and Specialized Services		6.00	(6.00)					22,879.00	37,809.13	(14,930.13)	(14,936.13)
3002400	Publications and Legal Notices								4,676.00	4,067.12	608.88	608.88
3002500	Rents and Leased Equipment								3,600.00	1,693.34	1,906.66	1,906.66
3002700	Small Tools and Minor Equipment	2,175.00	1,002.00	1,173.00					3,000.00	459.27	2,540.73	3,713.73
3002800	Special Department Expense								750.00	23.48	726.52	726.52
3002900	Transportation and Travel	500.00		500.00					2,000.00	529.17	1,470.83	1,970.83
3002901	Conferences and Training	500.00	264.00	236.00					1,500.00	625.00	875.00	1,111.00
3003000	Utilities	300.00		300.00					10,758.00	9,518.64	1,239.36	1,539.36
3006100	Buildings/Improvements - Capital Improv.											
3006200	Equipment											
3007000	Administrative Allocation - Transfer Out		1,628.21	(1,628.21)						7,818.42	(7,818.42)	(9,446.63)
3008500	Bond/Solar (Special Items)								4,800.00		4,800.00	
Total Expenses & Input to Reserve Accounts		35,987.00	16,688.99	19,298.01	1,602.00	2.00	1,600.00	252,078.00	249,133.09	2,944.91	99%	19,042.92
Budget Balance (Revenue Minus Total Expenses)			57,839.73	46%		7.15	0%		2,944.91			319,954.34

Spalding CSD Finance Worksheet - through June 2022 (Tentative)

TRUST ACCOUNTS

TRUST ACCOUNTS - US Bank		BALANCE	New Bal
7603405	Capital Replacement Fund (Sewer); USB 8000	300,050.85	
7603374	Bond Redemption Fund (Sewer); USB 8001	201,910.88	159,726.14
7603376	Bond Debt Service Reserve (Sewer) USB Reserve Fund 8005	71,127.64	90,456.11
7603500	Repair and Replace Fund (Sewer) US Reserve Fund 8003	464,213.36	472,448.47
TRUST ACCOUNTS - County		BALANCE	New Bal
7603302	Recreation Trust	1,523.77	1,532.47
7603383	Capital Improvement Fees (Fire)	18,190.18	22,683.62
225	Fire Parcel Assessment Fees (Fire)	114,051.00	188,569.72
GPR	General Purpose Revenue Fund (Fire)	6,475.00	
7603405	Capital Replacement Fund (Sewer); USB 8000	300,050.85	289,511.61
7603374	Bond Redemption Fund (Sewer); USB 8001	201,910.88	151,146.18
7603376	Bond Debt Service Reserve (Sewer) USB Reserve Fund 8005	52,496.55	51,550.69
7603500	Repair and Replace Fund (Sewer) US Reserve Fund 8003	472,454.00	480,686.79

Spalding Community Services District

Management Report

June 30, 2021

LARRY BAIN, CPA

An Accounting Corporation

2148 Frascati Drive, El Dorado Hills, CA 95762 / 916.601-8894
lpbain@sbcglobal.net

COMMUNICATION OF MATERIAL WEAKNESSES AND SIGNIFICANT DEFICIENCIES

To: Board of Directors
Spalding Community Services District

We have audited the financial statements of Spalding Community Services District as of and for the fiscal year ended June 30, 2021, and have issued our report thereon dated June 15, 2022. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Spalding Community Services District's (District) internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies in internal control, such that there is a reasonable possibility that material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. We consider findings 2021-001 through 2021-003 in the schedule of findings following this report to be material weaknesses.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings FS 2021-004 and FS 2021-009 in the schedule of findings following this report to be significant deficiencies in the District's internal control.

Spalding Community Services District's Response to Findings

The Spalding Community Services District's response to the material weakness and significant deficiencies identified in our audit and any follow up for subsequent year corrections has not been subjected to the audit procedures applied in the audit of the financial statements and accordingly, we do not express an opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal controls over financial reporting and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control. This report is an integral part of an audit performed in accordance with auditing standards generally accepted in the United States of America in considering the District's internal control over financial reporting, accordingly this report is not suitable for any other purpose.

This report is intended solely for the information and use of the board of directors and management of Spalding Community Services District.

Larry Bain, CPA,
An Accounting Corporation

June 15, 2022



**SPALDING COMMUNITY SERVICES DISTRICT
FINDINGS AND RECOMMENDATIONS**

June 30, 2021

Significant Deficiencies-Considered Material Weaknesses

FS 2021-001-Cash Reconciliation

During our testing of cash, we noted the District was not performing a monthly bank reconciliation. The bank reconciliation should be between the County of Lassen cash accounts and QuickBooks. We noted the QuickBooks balance for sewer cash with County was \$838 while the QuickBooks balance was negating \$35,246 plus undeposited funds of \$9,832 resulting in a net difference of negative \$26,252. The fire fund cash with County was overstated \$4,675 in QuickBooks and the recreation fund County cash was understated \$1,821 in QuickBooks. This was a condition for the qualified opinion in the auditor's report.

Recommendation: We recommend the District perform periodic reconciliations between QuickBooks and the County general ledger. Ideally an employee, who is not involved with internal controls over cash, should perform the reconciliation. The Board of Directors could also take a more active role in reviewing and accepting the reconciliation as part of the consent agenda.

Response: The District will be implementing monthly account reconciliations beginning with the 2022/2023 fiscal year.

FS 2021-002-Capital Assets

During our testing of capital assets, we noted the beginning balance did not agree to the underlying depreciation schedule. The net difference in the sewer fund capital assets were understated by \$142,431 and that government-wide, governmental activities capital assets were overstated \$142,431. This was a condition for the qualified opinion in the auditor's report.

We also noted that QuickBooks had capital assets listed in the fire fund and the recreation fund. QuickBooks should reflect the modified accrual basis of accounting for the fire fund and the recreation fund which would not include long-term assets such as capital assets.

Recommendation: We recommend the District reconcile the underlying supporting documentation/depreciation schedule the amount reported in the financial statements. We also recommend the District report the capital assets under the modified accrual basis of accounting in the fire fund and recreation fund, which would not include booking capital assets in the balance sheet.

Response: The District will need some training in this type of bookkeeping as we do not currently have a CPA or specific bookkeeper on staff. We will focus on the implementation of this adjustment to our accounting routine.

FS 2021-003-Sewer Fund Cash Deficit

During our review of operating results and cash for the sewer fund we noted the sewer fund had a net decrease in cash of \$46,418 and a change in net position of negative \$487,958, which included \$432,897 non-cash depreciation expense. Furthermore, we noted the operating cash balance reported in QuickBooks at June 30, 2021 was negative \$26,252 and the operating cash balance reported at the County was \$838. Either way the Sewer fund revenue does not appear to be sufficient to cover expenses and the District is at risk of having the sewer fund reported as a going concern. We also

noted the sewer capital reserve trust fund had a balance at June 30, 2021 of \$300,060, however these funds are to be used for future physical repairs and upgrades to the Spalding Wastewater System and to pay other incidental expenses associated with sewer connections and improvements.

Recommendation: We recommend the District consider having a rate study performed for the sewer operations, and then under guidance from legal counsel go out to vote for a rate increase under prop 218 requirements.

Response: A rate study was commissioned in 2019, but has yet to be completed. We are currently going to move forward with whatever it takes to, as quickly as possible, correct our lagging sewer rates.

**SPALDING COMMUNITY SERVICES DISTRICT
FINDINGS AND RECOMMENDATIONS**

June 30, 2021

Significant Deficiencies-Not Considered Material Weaknesses

FS 2021-004-Accounts Payable

During our testing of accounts payable we the District did not perform year-end closing procedures. During our search for unrecorded liabilities we detected \$16,374 in accounts payable.

Recommendation: We recommend the District perform year-end accounts payable procedures to record all know liabilities in the proper period in accordance with generally accepted accounting procedures.

Response: The District plans to implement the above recommendation.

FS 2021-005-Fund Accounting Allocations

During our testing of disbursements we noted the District is recording the majority of payables to the sewer fund, when sending the claim to the County, and then subsequently reallocating to the other funds. We noted several expenditures that were not sewer related that we could not determine to be reallocated to the proper fund. We also did not observe a district policy for allocating indirect expenses, such as utilities and staff admin pay, between funds.

Recommendation: We recommend the bookkeeper record each direct expense to the proper fund when the claim is prepared. We also recommend the District provide staff direction on how to allocate indirect expenses from the sewer fund to the other funds.

Response: The District plans to implement the above recommendation.

FS 2021-006-Segregation of Duties

We noted the District had a lack of segregation of duties, as one person is capable of handling all aspects of processing transactions from beginning to end. A lack of segregation of duties increases the risk of potential errors or irregularities occurring without being detected, however, due to a limited number of personnel an adequate segregation of duties is not possible without incurring additional costs.

Response: The Office Manager does have the ability to handle all aspects of processing transactions from beginning to end. This ability will be a focus for her in the next fiscal year, as we adjust personnel and job duties in the upcoming fiscal year.

FS 2021-007-GAAP Knowledge

The District relies on the external auditor to ensure its financial statements are in accordance with GAAP. In addition, the District relies on the external auditor to ensure that all necessary disclosures are included in the notes to the financial statements. The District does not employ a staff member with the necessary knowledge and training to prepare governmental financial statements. In accordance with Statement of Auditing Standards No.122 external auditors cannot be part of an entity's internal controls over preparation of the financial statements and are prohibited from auditing their own work, which would impair their independence. This is a common condition for a small district.

Recommendation: The District should consider training staff in preparing GAAP financial statements or hire an external qualified accountant to prepare the GAAP financial statements. The District could opt to take no action on hiring an outside accountant to assist with preparing GAAP financial statements if it considers the cost will outweigh the benefit.

Response: The District does not have a bookkeeper on staff, but does plan to implement training on proper accounting standards in order to prepare proper governmental financial statements.

**SPALDING COMMUNITY SERVICES DISTRICT
FINDINGS AND RECOMMENDATIONS
June 30, 2021**

Significant Deficiencies-Not Considered Material Weaknesses

FS 2021-008-Accounts Receivable

During our testing of accounts receivable for sewer customers, we noted there was over \$20,000 recorded for three accounts related to a property, that according to District staff, had been sold and the delinquent receivable had been paid by the new owner. This treatment creates a credit balance for the new owner which appears that they prepaid sewer charges, as opposed to starting with a zero balance, and overstates the receivable balance for the old account.

Recommendation: We recommend the District review the customer history for the three old accounts related to the sold property and for the new property owner account and true up the balances to agree with the underlying activity.

Response: This is currently being resolved and should be completed within the next fiscal year.

FS 2021-009-Sewer Billing

During our customer billing test we noted one customer who had a credit balance that was not being billed for monthly sewer charges, which should reduce the credit balance.

Recommendation: We brought this account to the attention of the District accountant who was going to research the issue to determine why the charges were not being applied to the account. We recommend the District resolve this issue and apply any past charges that should have been applied to the account. We also recommend the District verify this condition is not present in other accounts.

Response: A review of all Sewer billing accounts has been completed, and changed/corrected amounts have been implemented. This review has been implemented into our yearly billing routine.

LARRY BAIN, CPA

An Accounting Corporation

2148 Frascati Drive, El Dorado Hills, CA 95762 / 916.601-8894

lpbain@sbcglobal.net

June 28, 2022

To the Board of Directors
Spalding Community Services District

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information and the fiduciary fund of Spalding Community Services District for the fiscal year ended June 30, 2021, and have issued our report thereon dated June 15, 2022. Professional standards require that we provide you with the following information related to our audit.

Our responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated April 25, 2022, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

Fieldwork and report issuance were completed in accordance with the planned scope and timing communicated on April 25, 2022.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Spalding Community Services District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies were not changed during the 2021 fiscal year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. Restatements of enterprise fund and governmental activities net position were needed to agree beginning capital assets and accumulated depreciation to the underlying support. Restatement of beginning Fiduciary Fund net position was made as a result of implementing GASB 84.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the financial statements was (were):

Management's estimate of the useful lives of assets for calculating depreciation expense is based on GFOA recommended useful lives. We evaluated the key factors and assumptions used to develop the useful life estimates in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected any uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. All known misstatements have been corrected.

Disagreements with Management

For purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significance to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 15, 2022.

Management Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors and management of Spalding Community Services District and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Larry Bain, CPA
An Accounting Corporation

NEW BUSINESS

RESOLUTION 2022-04

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE SPALDING COMMUNITY SERVICES DISTRICT ADOPTING THE 2022-2023 FISCAL YEAR BUDGET

WHEREAS, the Board of Directors of the Spalding Community Services District is required by California Government Code Section 61110(f) to annually adopt a budget prior to September 1st of each year; and

WHEREAS, the Board of Directors of the Spalding Community Services District has posted all required notices and conducted the required public hearing to receive comments from interested parties; and

WHEREAS, the Board of Directors of the Spalding Community Services District believe that the attached Fiscal Year 2022-2023 Budget represents a responsible and balanced financial approach to the reliable operation and maintenance of the infrastructure and programs under their jurisdiction.

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors of the Spalding Community Services District does hereby adopt the Fiscal Year 2022-2022 Budget attached hereto.

PASSED, APPROVED, and ADOPTED this 15th day of July 2022 by the following vote:

AYES:

NAYS:

ABSTAIN:

ABSENT:

ATTEST:

Secretary of the Board

APPROVED:

Chairman of said Governing Board

Spalding CSD Budget Worksheet - 2022/2023 FY

Account #	REVENUE	19/20		20/21		21/22		20/21		21/22		21/22		22/23		22/23		22/23	
		Fire Budget	Rec Budget	Sewer Budget	Total Budget	Fire Budget	Rec Budget	Sewer Budget	Total Budget	Fire Budget	Rec Budget	Sewer Budget	Total Budget	Actual Budget	Fire Budget	Rec Budget	Sewer Budget	Total Budget	Actual Budget
0100000	Balances and Income																		
	Cash Balance																		
2011200	Rental Income (chairs, tables, building)		260		260														
2011200	Rental Income (Directory Signs)		60		60														
2011200	Fire Apparatus Rental		30		30														
2011200	Misc Income (Donations, Equipment Sales, Etc.)																		
2012200	Operating Transfers in (Trust Account Transfers)			2,500	2,500														
2000903	Fire Parcel Assessment Fee (225 Fund)	33,059			33,059	32,724			32,724										
2000905	Fire Parcel Assessment Fee Prior Year					2,110			2,110										
2003000	Interest (Finance Charges)																		
2006200	State Grants																		
2007200	Federal Grants																		
2012200	Capital Improvement (Dev Imp Fees)																		
2008106	Sewer Service Fees																		
2010600	Sewer Operations/Maintenance Assessments			239,789	239,789														
2000600	Other Charges Current Services																		
2001300	Annual Parking Permits		7,608		7,608														
2001300	Day Use Fees																		
2001300	Dock Permit & Slip Sales																		
2020000	Revenue - Special Districts																		
	Revenue, Transfers In & Cash	33,059	7,958	242,289	283,306	34,834	9,129	202,830	246,793	98,999	1,602	252,078	239,953	318,752	37,635	792	241,000	279,427	

Spalding CSD Budget Worksheet - 2022/2023 FY

Account #	19/20		19/20		19/20		19/20		19/20		20/21		20/21		20/21		20/21		21/22		21/22		21/22		22/23		22/23								
	Fire Budget	Rec Budget	Sewer Budget	Total Budget	Fire Budget	Rec Budget	Sewer Budget	Total Budget	Fire Budget	Rec Budget	Sewer Budget	Total Budget	Fire Budget	Rec Budget	Sewer Budget	Total Budget	Fire Budget	Rec Budget	Sewer Budget	Total Budget	Actual Budget	Rec Budget	Fire Budget	Sewer Budget	Total Budget	Actual Budget	Rec Budget	Fire Budget	Sewer Budget	Total Budget					
EXPENSES																																			
Balances and Income																																			
3000100	Salaries and Wages	5,000	5,720	101,232	106,952	2,000	6,220	97,728	105,948	2,000	1,430	116,956	2,000	1,430	116,956	2,000	1,430	116,956	2,000	1,430	62,333.09	192.00	3,000.00	105,000.00	108,192.00										
3000100	Volunteer Firefighter Stipend	5,000	1,484	30,270	31,754	240	746	11,727	12,713	245	172	14,995	245	172	14,995	245	172	14,995	245	172	21,932.76	360.00	360.00	25,000.00	25,360.00										
3000211	Special District Benefits	200		200	400					500															200.00	200.00									
3001100	Clothing and Personal	2,000		100	2,100	245		65	310	500		25,381	500		25,381	500		25,381	500		22,460.97	4,500.00	4,500.00	20,000.00	24,500.00										
3001200	Communications	2,000		1,000	1,200			558	558	500		65	565	322	486.99						24.00		200.00		200.00										
3001400	Household Expenses	11,000		9,000	20,000	14,450		11,298	25,748	14,450		14,817	14,450		14,817	14,450		14,817	14,450		28,401.00	14,000.00	14,000.00	15,000.00	29,000.00										
3001500	Insurance (workers Comp/auto/Liability)	500		4,462	9,462	10,000		3,207	13,207	8,000		4,446	12,446		12,456	12,456		12,456	12,456		29,556.01	1,300.00	1,300.00	15,000.00	16,300.00										
3001700	Maintenance Equipment	5,000		14,000	19,500	760		4,000	5,384	2,000		2,719	4,719		4,719	4,719		4,719	4,719		7,453.21	2,000.00	2,000.00	8,000.00	16,000.00										
3001701	Maintenance Vehicles & Fuel	4,000		200	700	192			192	192		350	542		350	542		350	542		138.35	100.00	100.00	4,000.00	6,000.00										
3001800	Maintenance Building/Improvements	500		4,000	4,000	15		2,364	2,379	15		1,970	1,970		1,970	1,970		1,970	1,970		2,038.79			2,300.00	2,300.00										
3001900	Medical Supplies	300		6,000	6,300	124		5,000	5,124	125		2,208	2,333		2,208	2,333		2,208	2,333		3,968.47	125.00	125.00	2,700.00	2,825.00										
3002000	Memberships	100		1,500	1,600			302	302			1,430	1,430		1,430	1,430		1,430	1,430		1,318.00			1,500.00	1,500.00										
3002201	Office Expenses																																		
3002201	Postage																																		
3002205	Grant Expenditures																																		
3002205	Professional and Specialized Services			20,000	20,000	85		29,939	30,024			22,879	22,879		22,879	22,879		22,879	22,879		37,815.13			23,000.00	23,000.00										
3002300	Publications and Legal Notices			1,000	1,000	35		290	325			4,676	4,676		4,676	4,676		4,676	4,676		4,067.12			2,000.00	2,000.00										
3002500	Rents and Leased Equipment			1,500	1,500																				2,500.00	2,500.00									
3002700	Small Tools and Minor Equipment	3,000		2,000	5,000	706		872	1,653	2,175		3,000	3,000		3,000	3,000		3,000	3,000		4,532.46			2,000.00	2,500.00										
3002800	Special Department Expense	400		3,830	5,230	427		17	1,158			750	750		750	750		750	750		23.48	600.00		2,000.00	3,100.00										
3002900	Transportation and Travel	300		1,500	1,800	300		2,000	2,300	500		2,000	2,000		2,000	2,000		2,000	2,000		529.17			1,000.00	1,500.00										
3002901	Conferences and Training	300		1,500	1,800	154		1,500	1,654	500		1,500	1,500		1,500	1,500		1,500	1,500		889.00			2,000.00	2,250.00										
3003000	Utilities	1,200		16,000	17,875	601		12,921	14,032	300		10,758	11,058		10,758	11,058		10,758	11,058		8,792.75			10,000.00	12,000.00										
3006100	Buildings/Improvements - Capital Improv.			8,095	8,095			800	800																										
3006200	Equipment																																		
3007000	Administrative Allocation - Transfer Out	2,000		4,800	4,800																														
3008500	Bond/Solar (Special Items)			4,800	4,800			4,800	4,800			4,800	4,800		4,800	4,800		4,800	4,800		9,446.63														
Total Expenses & Input to Reserve Accounts		36,000	10,879	246,189	293,068	34,834	9,129	202,830	246,793	35,987	1,602	252,078	289,667	792.00	241,000.00	279,427.00	37,635.00	792.00	241,000.00	279,427.00	257,912.23	105,000.00	37,635.00	241,000.00	279,427.00	257,912.23	105,000.00	37,635.00	241,000.00	279,427.00	257,912.23	105,000.00	37,635.00	241,000.00	279,427.00

Spalding CSD Budget Worksheet - 2022/2023 FY

TRUST ACCOUNTS (Lassen County)		BALANCE	1,245.00		BALANCE	8,372.00		BALANCE	\$1,523.77		BALANCE
7603302	Recreation Trust										
7603383	Capital Improvement Fees (Fire)	18,127			17,879			17,879.00			
225	Fire Parcel Assessment Fees (Fire)	100,490			44,569			44,569.00			
GPR	General Purpose Revenue Fund (Fire)				7,028			6,475.00			
7603405	Capital Replacement Fund (Sewer) USB 8000		440,550						300,050.85		
7603374	Bond Redemption Fund (Sewer) USB 8001		341,689				382,863		201,910.88		
3603500	Renew & Replace Fund (Sewer) USB 8005						442,667		71,127.64		
7603376	Refunding Improvement Bond (Sewer) USB 8003						493,932		472,454.00		