

SPALDING COMMUNITY SERVICES DISTRICT
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

SPALDING COMMUNITY SERVICES DISTRICT

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LARRY BAIN, CPA

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Spalding Community Services District
Susanville, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information and the fiduciary fund of the Spalding Community Services District (District) as of and for the fiscal year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



Basis for Qualified Opinion

As explained in Note 7 to the financial statements capital assets and accumulated depreciation, as of July 1, 2020, were not properly recorded in the financial statements. Accounting principles generally accepted in the United States of America require the proper recording of these items. The effects on the accompanying financial statements of the failure to properly record the beginning amounts and balances resulted in beginning enterprise fund plant and building to decrease by \$18,964, enterprise fund accumulated depreciation to decrease by \$161,395, government wide improvements and equipment to increase \$19,056 and government wide accumulated depreciation to increase \$161,486. This matter did not affect end of fiscal year balances or result in any net change in the change in net position for the fiscal year ended June 30, 2021.

The District utilizes QuickBooks to track activity for the Fire, Recreation and Sewer Funds. The District is fiscally dependent on Lassen County to pay bills and track the funds of the District. The QuickBooks balances did not agree to the County balances at June 30, 2021 resulting in Sewer Fund cash being understated \$26,252, Fire Fund cash being overstated \$4,675 and Recreation Fund cash being understated \$1,821. The effect on revenue and expenditures is not determinable.

Opinions

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion Paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information and the fiduciary fund of the Spalding Community Services District, California, as of June 30, 2021 and the changes in financial position, of those activities and funds and where applicable, cash flows thereof, for the fiscal year then ended in conformity with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

The Spalding Community Services District has not presented the Management Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion is not modified as a result of the omission.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 23 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 basis financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Larry Bain, CPA,

An Accounting Corporation

June 15, 2022

SPALDING COMMUNITY SERVICES DISTRICT

**STATEMENT OF NET POSITION
JUNE 30, 2021**

	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	
Assets			
Cash and investments	\$ 118,530	\$ (25,574)	\$ 92,956
Restricted cash and investments	21,960	299,519	321,479
Accounts receivable		33,504	33,504
Grant receivable		33,353	33,353
Prepaid expense	-	5,397	5,397
Capital assets:			
Nondepreciable capital assets			
Land	1,350,000	119,211	1,469,211
Depreciable capital assets			
Water plant		12,350,940	12,350,940
Structures and improvements	3,848,528	787,271	4,635,799
Marina dredging	340,800		340,800
Equipment and vehicles	999,608	263,885	1,263,493
Less accumulated depreciation	<u>(1,934,251)</u>	<u>(5,535,980)</u>	<u>(7,470,231)</u>
Total capital assets (net of accumulated depreciation)	4,604,685	7,985,327	12,590,012
Total assets	<u>4,745,175</u>	<u>8,331,526</u>	<u>13,076,701</u>
Liabilities			
Current liabilities:			
Accounts payable		14,864	14,864
Accrued payroll		2,867	2,867
Total liabilities	<u>-</u>	<u>17,731</u>	<u>17,731</u>
Net Position			
Net investment in capital assets	4,604,685	7,985,327	12,590,012
Restricted			
Unrestricted	<u>140,490</u>	<u>328,468</u>	<u>468,958</u>
Total net position	<u>\$ 4,745,175</u>	<u>\$ 8,313,795</u>	<u>\$ 13,058,970</u>

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

SPALDING COMMUNITY SERVICES DISTRICT

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Functions/programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:						
Public protection-fire department	\$ 83,463	\$ -	\$ 89,426	\$ 5,963	\$ -	\$ 5,963
Recreation	86,896	1,111		(85,785)		(85,785)
Total governmental activities	<u>170,359</u>	<u>1,111</u>	<u>89,426</u>	<u>(79,822)</u>		<u>(79,822)</u>
Business-type activities:						
Sewer	692,386	188,752			(503,634)	(503,634)
Total business-type activities	<u>692,386</u>	<u>188,752</u>			<u>(503,634)</u>	<u>(503,634)</u>
Total	<u>\$ 862,745</u>	<u>\$ 189,863</u>	<u>\$ 89,426</u>	<u>(79,822)</u>	<u>(503,634)</u>	<u>(583,456)</u>
General Revenues:						
Other				12,648		12,648
Investment income				2,861	5,069	7,930
Transfers				(10,607)	10,607	
Total general revenues				<u>4,902</u>	<u>15,676</u>	<u>20,578</u>
Change in net position				(74,920)	(487,958)	(562,878)
Net position - beginning-restated				4,820,095	8,801,753	13,621,848
Net position - ending				<u>\$ 4,745,175</u>	<u>\$ 8,313,795</u>	<u>\$ 13,058,970</u>

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

SPALDING COMMUNITY SERVICES DISTRICT

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2021**

	General Fund-Fire	Nonmajor Fund Recreation	Total Governmental Funds
Assets			
Cash and investments	\$ 118,746	\$ (216)	\$ 118,530
Restricted cash and investments	18,190	3,770	21,960
Total assets	\$ 136,936	\$ 3,554	\$ 140,490
Liabilities and Fund Equity			
Liabilities			
Accounts payable	\$ _____	\$ _____	\$ _____ -
Total liabilities	_____	_____	_____ -
Fund Equity			
Fund balances			
Restricted	18,190	3,770	21,960
Unassigned	118,746	(216)	118,530
Total fund equity	136,936	3,554	140,490
Total liabilities and fund equity	\$ 136,936	\$ 3,554	\$ 140,490

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

SPALDING COMMUNITY SERVICES DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2021

Fund balances of governmental funds	\$ 140,490
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets, net of accumulated depreciation, are not current financial resources and are not included in the governmental funds.	<u>4,604,685</u>
Net position of governmental activities	<u>\$ 4,745,175</u>

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

SPALDING COMMUNITY SERVICES DISTRICT

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	<u>General Fund-Fire</u>	<u>Nonmajor Fund Special Revenue Recreation</u>	<u>Total Governmental Funds</u>
Revenues			
Property taxes	\$ -	\$ -	\$ -
Assessments	35,266		35,266
Intergovernmental revenues	54,160		54,160
Use of money and property	2,734	127	2,861
Charges for current services		1,111	1,111
Other	12,648		12,648
Total revenues	<u>104,808</u>	<u>1,238</u>	<u>106,046</u>
Expenditures			
Current:			
Public protection-fire	27,170		27,170
Community services		7,834	7,834
Capital outlay			-
Total expenditures	<u>27,170</u>	<u>7,834</u>	<u>35,004</u>
Net change in fund balance before other financing sources (uses)	<u>77,638</u>	<u>(6,596)</u>	<u>71,042</u>
Other Financing Sources (Uses)			
Operating transfers out	<u>(10,607)</u>		<u>(10,607)</u>
Total other financing sources (uses)	<u>(10,607)</u>	<u>-</u>	<u>(10,607)</u>
Net Change in fund balances	<u>67,031</u>	<u>(6,596)</u>	<u>60,435</u>
Fund balances, beginning of fiscal year	<u>69,905</u>	\$ <u>10,150</u>	\$ <u>80,055</u>
Fund balances, end of fiscal year	\$ <u><u>136,936</u></u>	\$ <u><u>3,554</u></u>	\$ <u><u>140,490</u></u>

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

SPALDING COMMUNITY SERVICES DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Net change in fund balances - total governmental funds \$ 60,435

Amounts reported for governmental activities in the statement of activities differs from the amounts reported in the statement of revenues, expenditures and changes in fund balances because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the costs of those assets are allocated over their estimated useful lives as depreciation expense or are allocated to the appropriate functional expense when the cost is below the capitalization threshold. This and the net effect of various other transactions involving capital assets increased net position as follows:

General government capital outlay expenditures	-
Depreciation expense	<u>(56,293)</u>

Change in net position of governmental activities \$ 4,142

SPALDING COMMUNITY SERVICES DISTRICT

**PROPRIETARY FUND
STATEMENT OF NET POSITION
JUNE 30, 2021**

	<u>Sewer</u>	<u>Totals</u>
Current Assets		
Cash and investments	\$ (25,574)	\$ (25,574)
Restricted cash	299,519	299,519
Accounts receivable	33,504	33,504
Grants receivable	33,353	33,353
Prepaid expense	5,397	5,397
Total current assets	<u>346,199</u>	<u>346,199</u>
Noncurrent Assets		
Capital Assets:		
Nondepreciable capital assets:		
Land	119,211	119,211
Depreciable Capital Assets		
Sewer plant	12,350,940	12,350,940
Structures and improvements	787,271	787,271
Equipment and vehicles	263,885	263,885
Less accumulated depreciation	<u>(5,535,980)</u>	<u>(5,535,980)</u>
Total capital assets (net of accumulated depreciation)	<u>7,985,327</u>	<u>7,985,327</u>
Total noncurrent assets	<u>7,985,327</u>	<u>7,985,327</u>
Total assets	<u>8,331,526</u>	<u>8,331,526</u>
Liabilities		
Accounts payable	14,864	14,864
Accrued payroll	2,867	2,867
Total liabilities	<u>17,731</u>	<u>17,731</u>
Net position:		
Net investment in capital assets	7,985,327	7,985,327
Unrestricted	328,468	328,468
Total net position	<u>\$ 8,313,795</u>	<u>\$ 8,313,795</u>

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

SPALDING COMMUNITY SERVICES DISTRICT

**PROPRIETARY FUND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
JUNE 30, 2021**

	<u>Sewer</u>	<u>Totals</u>
Operating Revenues		
Sewer service fees	\$ 188,752	\$ 188,752
Total operating revenues	<u>188,752</u>	<u>188,752</u>
Operating Expenses		
Salaries and benefits	110,376	110,376
Services and supplies	149,113	149,113
Depreciation expense	<u>432,897</u>	<u>432,897</u>
Total Operating expenses	<u>692,386</u>	<u>692,386</u>
Operating income	<u>(503,634)</u>	<u>(503,634)</u>
Non-operating Revenue (Expense)		
Grant revenue	-	-
Interest revenue	<u>5,069</u>	<u>5,069</u>
Total non-operating revenue (expense)	<u>5,069</u>	<u>5,069</u>
Change in net position before other financing sources (uses)	<u>(498,565)</u>	<u>(498,565)</u>
Other Financing Sources (Uses)		
Operating transfers in	<u>10,607</u>	<u>10,607</u>
Total other financing sources (uses)	<u>10,607</u>	<u>10,607</u>
Change in net position	<u>(487,958)</u>	<u>(487,958)</u>
Net position, beginning of fiscal year-restated	<u>8,801,753</u>	<u>8,801,753</u>
Net position, end of fiscal year	<u>\$ 8,313,795</u>	<u>\$ 8,313,795</u>

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

SPALDING COMMUNITY SERVICES DISTRICT

**PROPRIETARY FUND
STATEMENT OF CASH FLOWS
JUNE 30, 2021**

	<u>Sewer</u>	<u>Totals</u>
Cash Flows from Operating Activities		
Cash received from customers	\$ 184,228	\$ 184,228
Cash payments to suppliers	(133,358)	(133,358)
Cash payments to employees	(112,964)	(112,964)
Net cash provided (used) by operating activities	<u>(62,094)</u>	<u>(62,094)</u>
Cash Flows from Non-Capital Financing Activities		
Interfund activity	<u>10,607</u>	<u>10,607</u>
Net cash provided (used) by noncapital financing activities	<u>10,607</u>	<u>10,607</u>
Cash Flows from Investing Activities:		
Interest received on investments	<u>5,069</u>	<u>5,069</u>
Net increase (decrease) in cash and cash equivalents	(46,418)	(46,418)
Cash and cash equivalents, beginning of fiscal year	<u>320,363</u>	<u>320,363</u>
Cash and cash equivalents, end of fiscal year	<u>\$ 273,945</u>	<u>\$ 273,945</u>
Reconciliation of Cash and Cash Equivalents:		
Cash and investments	<u>\$ 273,945</u>	<u>\$ 273,945</u>
Reconciliation of Operating Income to Net Cash Flows from Operating Activities:		
Operating income	\$ (503,634)	\$ (503,634)
Noncash Items Included in Operating Loss:		
Depreciation	432,897	432,897
Changes in:		
Accounts receivable	(4,524)	(4,524)
Prepaid expense	891	891
Accounts payable	14,864	14,864
Accrued payroll	<u>(2,588)</u>	<u>(2,588)</u>
Net cash provided (used) by operating activities	<u>\$ (62,094)</u>	<u>\$ (62,094)</u>

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

SPALDING COMMUNITY SERVICES DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2021

	<u>Custodial Fund</u>	
	<u>USDA Special Assessment Bonds</u>	
<u>Assets</u>		
Cash with county	\$	254,408
Cash with fiscal agent		808,773
Delinquencies receivable		<u>70,224</u>
Total assets		<u>1,133,405</u>
<u>Net Position</u>		
Restricted		
Restricted for USDA bonds		<u>1,133,405</u>
Total net position	\$	<u><u>1,133,405</u></u>

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

SPALDING COMMUNITY SERVICES DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 JUNE 30, 2021

	<u>Custodial Fund</u>
	USDA Special
	<u>Assessment Bonds</u>
Additions:	
Assessments	\$ 375,502
Bond redemptions	235,126
Interest	4,424
Total contributions	<u>615,052</u>
Deductions	
Administrative costs	(19,705)
Debt service	
Principal	(155,000)
Interest	(313,766)
Total deductions	<u>(488,471)</u>
Change in net position	<u>126,581</u>
Net position beginning of year-restated	<u>1,006,824</u>
Net position end of year	<u>\$ 1,133,405</u>

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

SPALDING COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
June 30, 2021

Note 1: Summary of Significant Accounting Policies

The Spalding Community Services District (District) was formed in 1985 to provide fire, recreation and sewer service. The District is governed by the same five-member Board of Directors elected by voters within the District boundaries. The accounting policies of the Spalding Community Services District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

A. Reporting Entity

The District has defined its reporting entity in accordance with generally accepted accounting principles, which provides guidance for determining which governmental activities, organizations, and functions should be included in the reporting entity. In evaluating how to define the District for financial reporting purposes, management has considered all potential component units. The primary criterion for including a potential component unit within the reporting entity is the governing body's financial accountability. A primary governmental entity is financially accountable if it appoints a voting majority of a component unit's governing body and it is able to impose its will on the component unit, or if there is a potential for the component unit to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A primary government may also be financially accountable if a component unit is fiscally dependent on the primary governmental entity regardless of whether the component unit has a separately elected governing board, a governing board appointed by a higher level of government, or a jointly appointed board.

No operations of other entities met the aforementioned oversight criteria for inclusion or exclusion from the accompanying financial statements in accordance with the Governmental Accounting Standards Board Statement #61.

B. Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned or, for property tax revenues, in the period for which levied. Expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Revenue from sales tax is recognized when the underlying transactions take place. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligible requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when both measurable and available. Measurable means the amount of the transaction can be determined and available means collectible in the current period or soon enough thereafter to be used to pay liabilities of the current period. Resources not available to finance expenditures and commitments of the current period are recognized as deferred revenue or as a reservation of fund balance. The District considers property taxes available if collected within sixty-days after year-end.

Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt, as well as compensated absences and claims and judgments are recorded only when payment is due. General capital acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and capital leases are reported as other financial sources.

When applicable, the District reports deferred revenue on its combined balance sheet. Deferred revenue arises when a potential revenue source does not meet both the measurable and available criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has legal claim to them, as when grant monies are received prior to the occurrences of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District

SPALDING COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
June 30, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting (Continued)

has legal claim to the resources, deferred revenue is removed from the combined balance sheet and revenue is recognized.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

C. Basis of Presentation

Government-Wide Financial Statements

The statement of net position and statement of activities display information about the primary government (the District) and its blended component units. These statements include the financial activities of the overall government, except for fiduciary activities. These statements distinguish between the governmental and business-type activities of the District. 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 charged to external parties.

The statement of activities demonstrates the degree to which the program expenses of a given function are offset by program revenues. Program expenses include direct expenses, which are clearly identifiable with a specific function. Program revenues include 1) charges paid by the recipient of goods or services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented instead as general revenues.

When both restricted and unrestricted net position are available, unrestricted resources are used only after the restricted resources are depleted.

Fund Financial Statements

The fund financial statements provide information about the District's funds, including fiduciary funds and blended component units. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in separate columns. All remaining governmental and enterprise funds are separately aggregated and reported as non-major funds.

The District reports the following major governmental funds:

General Fund - This fund accounts for all the financial resources not required to be accounted for in another fund. This fund consists primarily of the general government type activities of the fire department.

Special Revenue-Recreation – This fund accounts for the activities of the recreation, parks and Marina activity.

The District reports the following proprietary fund:

Sewer Fund – The sewer fund accounts for activities to provide sewer service to District residents. This activity is financed primarily by user charges and is accounted for similar to the private sector.

SPALDING COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
June 30, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

The District reports the following additional fund type:

Fiduciary Fund – The Fiduciary Fund accounts for assets held by the District as an agent for the limited obligation USDA bond assessment collections, administration and bond payments.

D. Budgets

Budget integration is employed as a management control device. Budgets are formally adopted for the General (Fire) and Recreation Funds by the Board of Directors and take effect the following July 1. The budget for the Sewer Fund is a management tool and not a legal requirement.

E. Restricted Assets

Restricted assets are financial resources generated for a specific purpose such as construction of improvements and financing of debt obligations. These assets are for the benefit of a distinct group and as such are legally or contractually restricted from an external source.

F. Cash and Cash Equivalents

For purposes of the statement of cash flows, the District defines cash and cash equivalents as bank account balances available on demand and investment account balances that can be easily converted to cash within three months (such as the District's investment in the Lassen County Treasurer's Pool).

All investments are reported at fair value, which is either the market price or amortized cost.

G. Operating/Non-Operating Revenue

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal revenues and expenses.

H. Property Taxes

Secured property taxes are levied on July 1 and are payable in two installments on November 10 and February 10, which become delinquent after December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. Lassen County (County) bills and collects the property taxes and allocates a portion to the District. Property tax revenues are recognized in the fiscal year for which they become available. Available means when due, or past due and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period.

I. Capital Assets

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are recorded at fair value at the date of donation. The District's policy is to capitalize all capital assets with costs exceeding \$1,000.

The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each fiscal year represents that year's pro rata share of the cost of capital assets. GASB Statement No. 34 requires that all capital assets with limited useful lives be depreciated over their estimated useful lives. Depreciation is provided using the straight line method which means the costs of the capital asset is divided by its expected useful life in years and the result is charged to

SPALDING COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
June 30, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

I. Capital Assets (Continued)

expense each year until the capital asset is fully depreciated. The District has assigned the useful lives listed below to capital assets:

Buildings and improvements	20-25 years
Sewer System	20-60 years
Equipment	5-10 years

J. Net Position

GASB Statement No. 34 requires that the difference between assets and liabilities be reported as net position. Net position is classified as either net investment in capital assets, restricted, or unrestricted.

Net position that is invested in capital assets, consist of capital assets, net of accumulated depreciation, and reduced by the outstanding principal of related debt. Restricted net position is the portion that has external constraints placed on it by creditors, grantors, contributors, laws, or regulations of other governments, or through constitutional provisions or enabling legislation. Unrestricted net position consists of net position that does not meet the definition of net investment in capital assets, or restricted net position.

K. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America as prescribed by the GASB and the American Institute of Certified Public Accountants (AICPA), requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2: Cash and Investments

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

Petty cash	\$ 182
Unrestricted cash with county	92,774
Restricted cash with county	321,479
Total cash and investments	\$ 414,435

SPALDING COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
June 30, 2021

Note 2: Cash and Investments Continued)

A. Investments Authorized by the California Government Code and the Entity's Investment Policy

The table below identifies the **investment types** that are authorized for the Spalding Community Services District by the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that address **interest rate risk**, **credit risk** and **concentration of credit risk**. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District investment policy.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Percentage of Portfolio</u>	<u>Investment in One Issuer</u>
Investment pools authorized under CA			
Statutes governed by Government Code	N/A	None	\$40 million
U.S. Treasury Obligations	5 years	None	None
Bank Savings Accounts	N/A	25%	None
Federal Agencies	5 years	75%	None
Commercial Paper	180 days	20%	None
Negotiable Certificates of Deposit	180 days	20%	None
Re-Purchase Agreements	180 days	20%	None
Corporate Debt	5 years	25%	None

B. Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of and investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investment maturity:

<u>Investment Type</u>	<u>Totals</u>	<u>Remaining Maturity (in Months)</u>	
		<u>12 Months or Less</u>	<u>13-48 Months</u>
Lassen County	\$ 414,253	\$ 414,253	\$ -
Totals	<u>\$ 414,253</u>	<u>\$ 414,253</u>	<u>\$ -</u>

C. Concentrations of Credit Risk

The investment policy of the District contains limitations on the amount that can be invested in any one issuer. There are no investments to one issuer exceeding those limits.

D. Investment in Government Pool

The cash and investments with the Lassen County Treasurer investment pool at June 30, 2021 was \$115,205. The District's funds are managed in accordance with the investment policy of the County Treasury. On a quarterly basis the Treasurer allocates interest to participants based upon their average daily balances. Required disclosure information regarding the categorization of investments and investment risk can be found in the County's financial statements. The Solano County's financial statements may be obtained by contacting the Lassen County Auditor-Controller's office at 221 South Roop St. #1, Susanville, California 96130.

SPALDING COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
June 30, 2021

Note 2: Cash and Investments Continued

D. Investment in Government Pool (Continued)

Required disclosures for the District's investment in the Lassen County Investment Pool at June 30, 2021 are as follows:

Credit risk	Not rated
Custodial risk	Not applicable
Concentration of credit risk	Not applicable
Interest rate risk	Not available

Note 3: Capital Assets

Capital Assets at June 30, 2021, consist of the following:

	Balance July 1, 2020	Additions	Retirements/ Adjustments	Balance June 30, 2021
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 1,350,000	\$ -	\$ -	\$ 1,350,000
Capital assets, being depreciated:				
Buildings and improvements	3,825,362	-	23,166	3,848,528
Marina dredging	350,086		(9,286)	340,800
Vehicles and equipment	994,432		5,176	999,608
Total capital assets, being depreciated	5,169,880	-		5,188,936
Less accumulated depreciation:	(1,637,410)	(135,355)	(161,486)	(1,934,251)
Governmental activities capital assets, net	<u>\$ 4,882,470</u>	<u>\$ (135,355)</u>	<u>\$ (161,486)</u>	<u>\$ 4,604,685</u>
Business-Type Activities-Sewer				
Capital assets, not being depreciated:				
Land	\$ 119,211	\$ -	\$ -	\$ 119,211
Capital assets, being depreciated:				
Structures and improvements	727,946		59,325	787,271
Water System	12,518,841		(167,901)	12,350,940
Equipment	174,273		89,612	263,885
Total capital assets, being depreciated	13,421,060		(18,964)	13,402,096
Less accumulated depreciation:	(5,264,478)	(432,897)	161,395	(5,535,980)
Total capital assets, being depreciated, net	8,156,582	(432,897)	142,431	7,866,116
Business- type activities capital assets, net	<u>\$ 8,275,793</u>	<u>\$ (432,897)</u>	<u>\$ 142,431</u>	<u>\$ 7,985,327</u>

The total amount of governmental activities depreciation expense included in public protection functional expense in the statement of activities at June 30, 2021 was \$56,293 and recreation was \$79,062.

SPALDING COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
June 30, 2021

Note 4: Fund Balance/Net Position

Government-Wide Statements

Net position is the excess of all the District's assets over all its liabilities, regardless of fund. Net position is divided into three categories under GASB Statement No. 34. These categories apply only to net position, which is determined at the government-wide level, and at the fund level in proprietary funds only (net position are not reported in governmental funds). The categories are described below:

Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation and reduced by any outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets. This category of net position is considered non-expendable.

Restricted Net Position – This component of net position of constraints placed on net position used through external constraints imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments. If includes net position constraints by law, constitutional provisions or enabling legislations.

Unrestricted Net Position – This component of net position consists of net position that does not meet the definition of “restricted” or “net investment in capital assets.” The District’s Board of Directors may designate portions of unrestricted net position for particular purposes.

When expending funds for a purpose for which both restricted and unrestricted net position are available, the District uses restricted net position first prior to using unrestricted net position.

Fund Financial Statements

In accordance with GASB Statement 54, the District segregates governmental fund balances into separate classifications based primarily on the extent to which the District is obligated to honor constraints on the specific purposes for which amounts in the funds can be spent. The following classifications of fund balance are presented on the District’s balance sheet as of June 30, 2021:

Restricted fund balance - includes amounts that can be spent for specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.

Committed fund balance - includes amounts that can only be used for the specific purposes determined by a formal action of the District’s highest level of decision-making authority, the Board of Directors. Commitments may be changed or lifted only by the District taking the same formal action that imposed the constraint originally (for example: resolution and ordinance).

Assigned fund balance – represents amounts intended for a specific purpose by the District’s management that are not subject to legal restrictions imposed by external parties and have not been set aside by specific action of the Board of Directors.

Unassigned fund balance – represents amounts that are available for expenditure for any purpose desired by the District.

When incurring an expense or expenditure for which a combination of restricted, committed, assigned, and/or unassigned fund balances are available, fund balances are liquidated in the following order, if applicable: restricted, then committed, then assigned, and finally unassigned.

SPALDING COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
June 30, 2021

Note 5: Special Assessment Districts (AD) Bonds

The District acts as an agent on behalf of the United States Department of Agriculture assessment bonds. The District is not liable for the debt repayment but is merely acting as the property owner's agent in handling the debt service transactions by collecting assessments and forwarding them to the bondholders. The \$9,427,703 USDA assessment bonds were initially issued in 2007 to finance major improvements to the sewer system. The debt was refinanced in 2017 through the issuance of \$7,940,000 in new debt. Interest is payable semi-annually on March 2 and September 2 at interest rates ranging from 3.875% to 5% with principal payments through 2047. The bond transactions are accounted for in an Agency Fund. The outstanding principal at June 30, 2021 was \$7,510,000.

Note 6: Revenue Limitation Imposed by California Proposition 218

Proposition 218, which was approved by the voters in November 1996, will regulate the District's ability to impose, increase, and extend taxes and assessments. Any new, increase, or extended taxes and assessments subject to the provisions of Proposition 218, requires voter approval before they can be implemented. Additionally, Proposition 218 provides that these taxes and assessments are subject to voter initiative process and may be rescinded in the future years by the voters.

Note 7: Stewardship, Compliance and Accountability

A. Restatement of Beginning Net Position:

Because beginning capital assets and accumulated depreciation did not agree to the depreciation schedule the sewer fund beginning net position was increased \$142,431 and the government-wide governmental activities beginning net position was reduced \$142,431.

B. Fiduciary Fund Restatement:

The District adopted the provisions of the Governmental Accounting Standard Board (GASB) Statement No. 84, Fiduciary Activities, which became effective during the year ended June 30, 2021. The intention of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

The implementation of the Statement required the District to record prior period adjustments. As a result, the beginning net positions of the Custodial Fund was increased by \$1,006,824.

Note 8: 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 purchases commercial insurance to cover the risk of loss. The District pays an annual premium for its general insurance coverage.

SPALDING COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
June 30, 2021

Note 9: Commitments and Contingencies

Grants

Amounts received or receivable from grant and lending agencies are subject to audit and adjustment by grantor and lending agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor or lender cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

COVID 19

In December 2019, a novel strain of coronavirus has spread around the world resulting in business and social disruption. The coronavirus was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. The operations and business results of Spalding Community Services District could potentially be adversely affected by this global pandemic. The extent to which the coronavirus may impact business activity or investment results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain the coronavirus. The District has not included any contingencies in the financial statements specific to this issue.

Note 10: Subsequent Events

Subsequent events were reviewed through June 15, 2022, the date these financial statements were available for distribution.

SPALDING COMMUNITY SERVICES DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Special assessments	\$ 32,724	\$ 32,724	\$ 35,266	\$ 2,542
Intergovernmental revenues	2,110	2,110	54,160	52,050
Charges for current services				-
Use of money and property			2,734	2,734
Other revenues and reimbursements			12,648	12,648
Total revenues	<u>34,834</u>	<u>34,834</u>	<u>104,808</u>	<u>69,974</u>
Expenditures				
Public protection-fire	34,834	34,834	27,170	7,664
Capital outlay				-
Total expenditures	<u>34,834</u>	<u>34,834</u>	<u>27,170</u>	<u>7,664</u>
Net change in fund balance before other financing sources (uses)			<u>77,638</u>	<u>77,638</u>
Other Financing Sources (Uses)				
Operating transfers out			(10,607)	(10,607)
Total other financing sources (uses)			<u>(10,607)</u>	<u>(10,607)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>67,031</u>	<u>\$ 67,031</u>

SPALDING COMMUNITY SERVICES DISTRICT
Note To the Required Supplementary Information
June 30, 2021

Note 1: Budgets and Budgetary Accounting

As required by State law the District prepares and legally adopts a final operating budget. Public hearings were conducted on the proposed and final budget to review all appropriations and the sources of financing.

The budgets for the general fund (Fire), and special revenue fund-recreation are adopted on the modified accrual basis of accounting. These budgets are the only legally adopted budgets.

At the object level, actual expenditures cannot exceed budgeted appropriations. Management can transfer budgeted amounts between expenditure accounts within an object without the approval of the Board of Directors. Significant amendments and appropriation transfers between objects or funds must be approved by the Board of Directors. Appropriations lapse at fiscal year-end.

The budgetary data presented in the accompanying financial statements includes all revisions approved by the Board of Directors.