

LAKE SHASTINA COMMUNITY SERVICES DISTRICT

FINANCIAL STATEMENTS

JUNE 30, 2019

LAKE SHASTINA COMMUNITY SERVICES DISTRICT

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Lake Shastina Community Services District
Weed, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Lake Shastina Community Service District, as of and for the year ended June 30, 2019, 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 the accounting principles generally accepted in the United States of America; this includes 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.

Auditors' 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 includes 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 District'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 District'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 financial statement presentation.

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

Opinion

In our opinion, the basic 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 and the aggregate remaining funds of the Lake Shastina Community Service District as of June 30, 2019, and the changes in financial position, of those activities and funds, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America. for the fiscal year then ended in conformity with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

The Lake Shastina 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.

Accounting principles generally accepted in the United States of America require that the budgetary comparison for the General fund, Police Fund and Fire Fund on pages 26-28 the District's Employees' Retirement System Schedule of the District's Proportionate Share of the Net Pension Liability and the Retirement System Schedule of the District's Contributions on pages 29-30; 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 (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. 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated January 20, 2020 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit. The purpose of that report is to describe the scope of our testing of internal control over financial reporting, compliance and other matters and the results of that testing and not to provide an opinion of the internal control over financial reporting, compliance or on other matters.

Larry Bain, CPA,
An Accounting Corporation
January 20, 2020

LAKE SHASTINA COMMUNITY SERVICES DISTRICT

**STATEMENT OF NET POSITION
JUNE 30, 2019**

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and investments	\$ 786,876	\$ 1,132,443	\$ 1,919,319
Receivables			
General receivables	61,889	27,059	88,948
Unbilled service receivables	66,364	208,905	275,269
Delinquent accounts-tax roll	202,558	135,206	337,764
Grant receivable	8,128	120,865	128,993
Interest receivable	3,827	6,619	10,446
Due from others	23,866		23,866
Prepaid expense	25,200	6,849	32,049
Inventory		52,578	52,578
Total current assets	1,178,708	1,690,524	2,869,232
Noncurrent assets			
Intergovernmental advance	(343,196)	343,196	-
Asset held for investment	389,263		389,263
Capital assets:			
Nondepreciable capital assets			
Land	37,506	31,433	68,939
Construction in progress		333,420	333,420
Depreciable capital assets			
Infrastructure		8,988,322	8,988,322
Land improvements		21,318	21,318
Structures and improvements	426,089	289,889	715,978
Equipment and vehicles	1,087,478	316,734	1,404,212
Less accumulated depreciation	(1,161,333)	(5,661,075)	(6,822,408)
Total capital assets (net of accumulated depreciation)	389,740	4,320,041	4,709,781
Total noncurrent assets	435,807	4,663,237	5,099,044
Total assets	1,614,515	6,353,761	7,968,276
Deferred outflows of resources			
Deferred outflows-pension	48,940	142,851	191,791
Liabilities			
Current liabilities:			
Accounts payable and accrued expense	53,034	72,044	125,078
Accrued payroll	22,716	20,114	42,829
Due to others	3		3
Capital lease-current		42,307	42,307
Compensated absences	3,592	29,450	33,043
Total current liabilities	79,345	163,915	243,260
Noncurrent liabilities			
Net pension liability	220,642	603,173	823,815
Capital lease-due in more than one year		282,714	282,714
Compensated absences	5,389	34,302	39,691
Total noncurrent liabilities	226,031	920,189	1,146,220
Total Liabilities	305,376	1,084,104	1,389,480
Deferred inflows of resources			
Deferred inflows-pension	12,599	37,549	50,148
Net Position			
Net investment in capital assets	389,740	3,995,020	4,384,760
Unrestricted	955,740	1,379,939	2,335,677
Total Net Position	\$ 1,345,480	\$ 5,374,959	\$ 6,720,439

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

LAKE SHASTINA COMMUNITY SERVICES DISTRICT

**STATEMENT OF ACTIVITIES
JUNE 30, 2019**

Functions/programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Capital Grants and Contributions	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
General	\$ 51,709	\$ -	\$ -	\$ -	\$ (51,709)	\$ -	\$ (51,709)
Public safety	1,199,909	603,663		645,090	48,844		48,844
Interest	8,576				(8,576)		(8,576)
Total Governmental Activities	<u>1,260,194</u>	<u>603,663</u>	<u>-</u>	<u>645,090</u>	<u>(11,441)</u>	<u>-</u>	<u>(11,441)</u>
Business-type activities:							
Water	635,930	474,565				(161,366)	(161,366)
Sewer	741,982	612,928		120,865		(8,189)	(8,189)
Interest	21,128					(21,128)	(21,128)
Total Business-type Activities	<u>1,399,040</u>	<u>1,087,492</u>	<u>-</u>	<u>120,865</u>		<u>(190,683)</u>	<u>(190,683)</u>
Total	<u>\$2,659,234</u>	<u>\$ 1,691,155</u>	<u>\$ -</u>	<u>\$ 765,955</u>	<u>(11,441)</u>	<u>(190,683)</u>	<u>(202,124)</u>
General Revenues:							
Rental income					83,420		83,420
Gain (loss) on sale of equipment					(2,363)	10,398	8,035
Other					34,960		34,960
Investment income					10,817	36,287	47,104
Total general revenues					<u>126,834</u>	<u>46,685</u>	<u>173,519</u>
Change in net position					115,393	(143,998)	(28,605)
Net position - beginning					<u>1,233,942</u>	<u>5,393,481</u>	<u>6,627,423</u>
Prior period adjustment					(3,855)	125,476	121,621
Net position - ending					<u>\$ 1,345,480</u>	<u>\$5,374,959</u>	<u>\$ 6,720,439</u>

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

LAKE SHASTINA COMMUNITY SERVICES DISTRICT

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2019**

	General Fund	Major Special Revenue Funds			Total Governmental Funds
		Police	Fire	Cops Grant	
Assets					
Cash and investments	\$ 223,185	\$ 252,374	\$ 299,737	\$ 11,580	\$ 786,876
Receivables					
Accounts	6,951	17,622	37,316		61,889
Assessments		66,364			66,364
Delinquent accounts-tax roll		151,929	50,629		202,558
Grants			4,016	4,112	8,128
Interest	1,045	1,533	1,249		3,827
Due from other fund		91,168			91,168
Prepaid expense	15,102	3,394	3,039	3,665	25,200
Due from others	15,470		8,396		23,866
Total Assets	<u>\$ 261,753</u>	<u>\$ 584,384</u>	<u>\$ 404,382</u>	<u>\$ 19,357</u>	<u>\$ 1,269,876</u>
Liabilities					
Accounts payable	\$ 6,586	\$ 1,163	\$ 40,101	\$ 5,187	\$ 53,037
Accrued payroll	9,122	4,808	5,645	3,141	22,716
Due to others	3				3
Due to other funds				91,168	91,168
Advance from other fund	343,196				343,196
Total Liabilities	<u>358,907</u>	<u>5,971</u>	<u>45,746</u>	<u>99,496</u>	<u>510,120</u>
Fund Equity					
Fund balances					
Nonspendable					
Prepaid expense	15,102	3,394	3,039	3,665	25,200
Assigned for police		575,019			575,019
Assigned for fire			355,597		355,597
Unassigned	(112,256)			(83,804)	(196,060)
Total Fund Equity	<u>(97,154)</u>	<u>578,413</u>	<u>358,636</u>	<u>(80,139)</u>	<u>759,756</u>
Total Liabilities and Fund Equity	<u>\$ 261,753</u>	<u>\$ 584,385</u>	<u>\$ 404,382</u>	<u>\$ 19,357</u>	<u>\$ 1,269,876</u>

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

LAKE SHASTINA COMMUNITY SERVICES DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2019

Fund Balances of Governmental Funds	\$ 759,756
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.	389,740
Assets held for investment are not current financial resources and are not included in the governmental funds	389,263
Some liabilities, including long-term debt, accrued interest and compensated absences are not due and payable in the current period and therefore are not reported in the funds.	
Compensated absences	(8,981)
Net pension liability, deferred inflows/outflows	<u>(184,298)</u>
Net position of governmental activities	<u><u>\$ 1,345,480</u></u>

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

LAKE SHASTINA COMMUNITY SERVICES DISTRICT

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	General	Major Special Revenue Funds			Total
	Fund	Police	Fire	Cops Grant	Governmental Funds
Revenues					
Assessments	\$ -	\$ 423,254	\$ 115,190	\$ -	\$ 538,444
Intergovernmental revenues		9,103	496,343	148,747	654,193
Use of money and property	84,761	7,210	2,263		94,234
Licenses and permits		4,301			4,301
Fines forfeitures and penalties			11,400		11,400
Charges for services			41,825		41,825
Other	4,401	12,488	16,661		33,550
Total Revenues	89,162	456,356	683,682	148,747	1,377,947
Expenditures					
Current:					
General administration	38,335				38,335
Public protection-police		423,533		168,047	591,580
Public protection-fire			573,839		573,839
Interest expense	8,576				8,576
Capital outlay			20,413	7,018	27,431
Total Expenditures	46,911	423,533	594,252	175,065	1,239,760
Excess (Deficit) of Revenues over Expenditures					
Before Other Financing Sources (Uses)	42,251	32,823	89,430	(26,318)	138,187
Other Financing Sources (Uses)					
Gain on sale of assets		3,000	-		3,000
Total Other Financing Sources (Uses)	-	3,000	-	-	3,000
Net Change in Fund Balance	42,251	35,823	89,430	(26,318)	141,187
Fund Balances, July 1, 2018	(139,405)	542,590	273,061	(53,821)	622,425
Prior Period Adjustment		-	(3,855)		(3,855)
Fund Balances, June 30, 2019	\$ (97,154)	\$ 578,413	\$ 358,636	(80,139)	\$ 759,756

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

LAKE SHASTINA COMMUNITY SERVICES DISTRICT

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE GOVERNMENT-WIDE
STATEMENT OF ACTIVITIES-GOVERNMENTAL ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Net Change in Fund Balances - Total Governmental Funds \$ 138,187

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 activity is reconciled as follows:

Cost of assets capitalized	27,431
Gain on sale of assets	(2,363)
Depreciation expense	(47,555)

Changes in proportions from the pension do not effect expenditures in the governmental funds, but the change is adjusted through expense in the government-wide statement. (734)

Compensated absences reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported in governmental funds. 427

Change in net position of governmental activities \$ 115,393

LAKE SHASTINA COMMUNITY SERVICES DISTRICT

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	Water	Sewer	Totals
Current Assets:			
Cash and investments	\$ 776,921	\$ 355,522	\$ 1,132,443
General receivables	7,823	19,236	27,059
Unbilled services receivable	87,995	120,910	208,905
Delinquent accounts-tax roll	81,096	54,110	135,206
Grants receivable		120,865	120,865
Interest receivable	4,754	1,865	6,619
Prepaid expense	3,495	3,354	6,849
Inventory	46,939	5,639	52,578
Total current assets	1,009,023	681,501	1,690,524
Noncurrent Assets			
Advances to other funds	343,196		343,196
Capital assets:			
Nondepreciable capital assets:			
Land	26,136	5,297	31,433
Construction in progress	247,633	85,787	333,420
Depreciable capital assets			
Infrastructure	2,334,296	6,654,026	8,988,322
Land improvements	21,318		21,318
Structures and improvements	172,905	116,984	289,889
Equipment and vehicles	218,721	98,013	316,734
Less accumulated depreciation	(1,861,312)	(3,799,763)	(5,661,075)
Total capital assets (net of accumulated depreciation)	1,159,697	3,160,344	4,320,041
Total noncurrent assets	1,502,893	3,160,344	4,663,237
Total Assets	\$ 2,511,916	\$ 3,841,845	\$ 6,353,761
Deferred Outflows of Resources			
Deferred outflows from pensions	61,312	81,539	142,851
Liabilities			
Current liabilities:			
Accounts payable and accrued expense	55,784	16,260	72,044
Accrued payroll		20,114	20,114
Compensated absences-current	27,787	1,663	29,450
Capital lease-current		42,307	42,307
Total current liabilities	83,571	80,344	163,915
Noncurrent liabilities			
Compensated absences-noncurrent	6,515	27,787	34,302
Net pension liability	263,701	339,472	603,173
Capital lease payable-noncurrent		282,714	282,714
Total noncurrent liabilities	270,216	649,973	920,189
Total Liabilities	353,787	730,317	1,084,104
Deferred Inflows of Resources			
Deferred inflows from pensions	11,720	25,829	37,549
Net position:			
Net investment in capital assets	1,159,697	2,835,323	3,995,020
Unrestricted	1,048,024	331,915	1,379,939
Total Net Position	\$ 2,207,721	\$ 3,167,238	\$ 5,374,959

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

LAKE SHASTINA COMMUNITY SERVICES DISTRICT

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	<u>Water</u>	<u>Sewer</u>	<u>Totals</u>
Operating Revenues			
Charges for services	\$ 461,154	\$ 553,396	\$ 1,014,550
Late payment penalties and other	9,316	6,555	15,871
Total Operating Revenues	<u>470,469.54</u>	<u>559,951</u>	<u>1,030,421</u>
Operating Expenses			
Salary and benefits	289,960	286,378	576,338
Services and supplies	209,542	271,753	481,295
Depreciation expense	136,428	183,851	320,279
Total Operating Expenses	<u>635,930</u>	<u>741,982</u>	<u>1,377,912</u>
Operating Inome	<u>(165,460)</u>	<u>(182,031)</u>	<u>(347,491)</u>
Non-operating Revenue (Expense)			
Connection fees	4,095	52,976	57,071
Interest revenue	30,918	5,369	36,287
Grant revenue		120,865	120,865
Gain on sale of assets	5,199	5,199	10,398
Interest expense		<u>(21,128)</u>	<u>(21,128)</u>
Total Non-operating Revenue (Expense)	<u>40,212</u>	<u>163,281</u>	<u>203,493</u>
Change in net position	<u>(125,248)</u>	<u>(18,750)</u>	<u>(143,998)</u>
Net Position, July 1, 2018	<u>2,332,969</u>	<u>3,060,512</u>	<u>5,393,481</u>
Prior year adustment	-	125,476	125,476
Net Position, June 30, 2019	<u>\$ 2,207,721</u>	<u>\$ 3,167,238</u>	<u>\$ 5,374,959</u>

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

LAKE SHASTINA COMMUNITY SERVICES DISTRICT

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
JUNE 30, 2019**

	Water	Sewer	Totals
Cash Flows from Operating Activities			
Cash received from customers	\$ 483,519	\$ 551,700	\$ 1,035,219
Cash payments to suppliers	(158,214)	(298,135)	(456,349)
Cash payments to employees	(285,287)	(268,193)	(553,480)
Net Cash Provided (Used) By Operating Activities	<u>40,018</u>	<u>(14,628)</u>	<u>25,390</u>
Cash Flows from Non-Capital Financing Activities			
Payment for interfund advances	<u>35,434</u>		<u>35,434</u>
Net Cash Provided (Used) By Noncapital Financing Activities	<u>35,434</u>	-	<u>35,434</u>
Cash Flows from Capital and Related Financing Activities			
Purchases of capital assets	(246,907)	(209,357)	(456,264)
Sale of assets	5,199	5,199	10,398
Cash received from grants		223,370	223,370
Principal paid on debt		(39,898)	(39,898)
Interest paid on debt		(21,128)	(21,128)
Connection fees	4,095	52,976	57,071
Net Cash Provided (Used) By Capital And Related Financing Activities	<u>(237,613)</u>	<u>11,162</u>	<u>(226,451)</u>
Cash flows from investing activities:			
Interest received on investments	<u>26,164</u>	<u>3,501</u>	<u>29,665</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(135,997)	35	(135,962)
Cash and Cash Equivalents, July 1, 2018	<u>912,918</u>	<u>355,487</u>	<u>1,268,405</u>
Cash and Cash Equivalents, June 30, 2019	<u>\$ 776,921</u>	<u>\$ 355,522</u>	<u>\$ 1,132,443</u>
Reconciliation of Cash and Cash Equivalents:			
Cash and investments	<u>\$ 776,921</u>	<u>\$ 355,522</u>	<u>\$ 1,132,443</u>
Reconciliation of operating income to net cash flows from operating activities:			
Operating income	\$ (165,460)	\$ (182,031)	\$ (347,491)
Noncash items included in operating loss:			
Depreciation	136,428	183,851	320,279
Changes in:			
General receivables	24,163	(1,769)	22,394
Unbilled service receivables	(1,543)	(575)	(2,118)
Tax roll receivables	(9,571)	(5,908)	(15,479)
Prepays	31,010	25,816	56,826
Inventory	(17,297)	585	(16,712)
Accounts payables	37,615	(52,783)	(15,168)
Accrued payroll and benefits	(4,333)	14,123	9,790
Compensated absences	8,177	3,325	11,502
GASB 68 pension adjustments	829	737	1,566
Net Cash Provided (Used) By Operating Activities	<u>\$ 40,018</u>	<u>\$ (14,628)</u>	<u>\$ 25,390</u>

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

LAKE SHASTINA COMMUNITY SERVICES DISTRICT
Notes to Financial Statements
June 30, 2019

Note 1: Summary of Significant Accounting Policies

The basic financial statements of Lake Shastina Community Services District, (the “District”) have been prepared in conformity with accounting principles generally in the United States of America (“U.S. GAAP”) as applied to governmental agencies. The Governmental Accounting Standards Board (“GASB”) is the acceptable standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District’s accounting policies are described below.

A. Reporting Entity

The District was form in 1978 and is located in Siskiyou County, California. The District operated under a five member Board of Directors and provides services including police and fire protection, the collection and treatment of wastewater and provides water to the residences within the District’s boundaries.

The financial reporting entity, as defined by the GASB, consists of the primary government, the District, organizations for which the primary government is financially accountable, and any other organization for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

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 assessment revenues, in the period for which levied. Expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. 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.

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.

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 District. These statements include the financial activities of the overall government. These statements distinguish between the governmental and business-type activities of the District. Governmental activities, which normally are supported by taxes, assessments and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees charged to external parties.

LAKE SHASTINA COMMUNITY SERVICES DISTRICT
Notes to Financial Statements
June 30, 2019

Note 1: Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continue)

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. 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.

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 general government type activities.

Special Revenue Funds – These funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The District has three special revenue funds; the police fund, the fire fund and the COPS Grant fund.

The District reports the following major enterprise funds.

Water and Sewer Funds - account for the operation of the District's water and sewer utilities. Activities of these funds include administration, operation and maintenance of the water and sewer systems and billing and collection activities. The Funds also accumulate resources for, and payment of long-term debt principal and interest. All costs are financed through charges made to utility customers with rates reviewed regularly and adjusted if necessary to ensure the integrity of the Funds.

D. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

E. Cash and Cash Equivalents

For the purpose of the statement of cash flows, the District considers cash and cash equivalents as short term, highly liquid investments that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates.

Restricted cash and unrestricted pooled cash and investments held by the District are considered cash equivalents for purposes of the combined statement of cash flow's because the District's cash management pool and funds invested by the District possess the characteristics of demand deposit accounts.

LAKE SHASTINA COMMUNITY SERVICES DISTRICT
Notes to Financial Statements
June 30, 2019

Note 1: Summary of Significant Accounting Policies (Continued)

F. Accounts Receivable

Accounts receivable are recorded for services, provided to individuals or non-governmental entities that are billed but unpaid. Proprietary Fund receivables are shown net of allowance for uncollectible accounts.

G. Inventory of Supplies

The inventory of supplies account is valued at cost and is determined on a first-in, first-out basis, which approximates market.

H. Prepaid Expense

Prepaid expenses are payments made to vendors in the current accounting period for costs applicable to future accounting periods.

I. Fixed Assets

Capital assets, recorded at historical cost or estimated historical cost if actual historical cost is not available, are reported in governmental activities column of the government-wide financial statements. Contributed fixed assets are valued at their estimated fair market value. Capital assets include land, buildings and building improvements and equipment. Capital assets are defined by the District as assets with an initial, individual cost of more than \$2,500.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Depreciation is recorded in the government-wide financial statements on the straight-line basis over the useful life of the assets as follows:

<u>Assets</u>	<u>Useful Life</u>
Subsurface sewer lines	40-50 years
Sewage collections facilities	10-40 years
Sewage disposal facilities	40 years
Water System	5-35 years
Building	20-40 years
Equipment	5-20 years
Vehicles	5-10 years

J. Compensated Absences

District employees are granted vacation and sick time in varying amounts based on classification and length of service. Upon termination or retirement, the District is to pay 100% of the vacation time accrued and sick time will be paid based on the tier system the District has established for sick time earned. For employees who retire from the District, accrued sick leave at the time retirement will be added to years of service for pension purposes.

K. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

LAKE SHASTINA COMMUNITY SERVICES DISTRICT
Notes to Financial Statements
June 30, 2019

Note 1: Summary of Significant Accounting Policies (Continued)

L. Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) which will only be recognized as an outflow of resources (expense/expenditures) in the futures. The change in proportion and differences between the District contributions and proportionate share of contributions, and resources in the government-wide statement of net position. District contributions subsequent to the measurement date are being amortized in the current fiscal year as provided by accounting pronouncement GASB Statement No. 71. The change in proportion and difference between District contributions and proportionate share of contributions is amortized over the estimated service lives of pension plan participants. In addition to liabilities, the statement of net position includes a separate section of deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and would only be recognized as an inflow of resources (revenue) at that time. The District's proportionate share of the net difference between projected and actual earnings on pension plan investments is reported as deferred inflows of resources in the government-wide statement of net position. The amount will be amortized over a five year period.

M. Net Position

The government-wide and proprietary fund financial statements utilize a net position presentation. Net position are categorized as invested in capital assets (net of related debt), restricted, and unrestricted.

- Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- Restricted net position – Consists of net position with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. These principally include restrictions for capital projects, debt service requirements and other special revenue fund purposes.
- Unrestricted net position – All other net position that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

N. Fund Balances

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. As of June 30, 2019, fund balances for governmental funds are made up of the following:

- Nonspendable fund balance - includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.
- 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.

LAKE SHASTINA COMMUNITY SERVICES DISTRICT
Notes to Financial Statements
June 30, 2019

Note 1: Summary of Significant Accounting Policies (Continued)

N. Fund Balances (Continued)

- 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 - comprises amounts intended to be used by the District for specific purposes that are neither restricted nor committed. Intent is expressed by (1) the Board of Directors or (b) a body (for example: a budget or finance committee) or official to which the Board of Directors has delegated the authority to assign amounts to be used for specific purposes.
- Unassigned fund balance - is the residual classification for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, that fund would report a negative unassigned fund balance.

Note 2: Cash and Investments

The District maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as cash and investments. Unless otherwise dictated by legal or contractual requirements, income earned or losses arising from the investment of pooled cash are allocated on a quarterly basis to the participating funds and component units based on their proportionate shares of the average quarterly cash balance.

The District maintains “restricted cash and investments”.

Cash and investments at June 30, 2019, consisted of the following:

Cash on hand	\$	303
Deposit accounts		239,407
Investments (LAIF)		1,679,609
Total cash and investments	\$	<u>1,919,318</u>

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 Lake Shastina 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.

LAKE SHASTINA COMMUNITY SERVICES DISTRICT
Notes to Financial Statements
June 30, 2019

Note 2: Cash and Investments (Continued)

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

<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 all investments. 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>
Local Agency Investment Fund	\$ 1,679,609	\$ 1,679,609	\$ -
Totals	<u>\$ 1,679,609</u>	<u>\$ 1,679,609</u>	<u>\$ -</u>

*Not subject to categorization

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. Custodial Credit Risk

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 its deposit or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment of collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits; The California Government Code requires that a financial institution secured deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the government unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure the District's deposits by pledging first deed mortgage notes having a value of 150% of the secured public deposits.

At June 30, 2019, the District's deposits balance was \$286,832 and the carrying amount was \$239,407. The difference between the bank balance and the carrying amount was due to normal outstanding checks and deposits in transit. Of the bank balance \$250,000 was covered by the Federal Depository Insurance or by collateral held in the pledging bank's trust department in the District's name and \$86,225 was collateralized with pledged securities.

LAKE SHASTINA COMMUNITY SERVICES DISTRICT
Notes to Financial Statements
June 30, 2019

Note 2: Cash and Investments (Continued)
D. Custodial Credit Risk (Continued)

LAIF is included in the State's Pooled Money Investment Account. The total amount invested by all public agencies in the State's Pooled Money Investment Account approximates \$106.05 billion. Of the \$106.05 billion managed by the State Treasurer, 100% is invested in non-derivative financial products and 3.54% is invested in structured notes and asset-backed securities. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by state statute.

Investments are accounted for in accordance with the provisions of GASB Statement No. 31, which requires governmental entities to report certain investments at fair value in the balance sheet and recognize the corresponding change in fair value of investments in the year in which the change occurred. The District reports its investments at fair value based on quoted market information obtained from fiscal agents or other sources if the change is material to the financial statements.

Note 3: Assessments and Accounts Receivable

Major receivable balances for both governmental and business-type activities include assessments for services and assessments for services placed on the Siskiyou County tax rolls. There is no allowances for uncollectible accounts as management feels all amounts are collectible. Charges for sewer and water services are recorded when earned. Services provided but unbilled at year-end have been included in the accompanying financial statements.

Note 4: Capital Assets

Capital asset activity for the year ended June 30, 2019 was as follows:

	Balance July 1, 2018	Additions	Retirements/ Adjustments	Balance June 30, 2019
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 37,506	\$ -	\$ -	\$ 37,506
Capital assets, being depreciated:				
Structures and improvements	426,089			426,089
General equipment	481,679			481,679
Vehicles and rolling stock	583,731	27,431		611,162
Total capital assets, being depreciated	1,491,499	27,431	-	1,518,930
Less accumulated depreciation:	(1,113,778)	(47,555)		(1,161,333)
Governmental activities capital assets, net	\$ 415,227	\$ (20,124)	\$ -	\$ 395,103
Business-Type Activities				
Capital assets, not being depreciated:				
Land	\$ 31,433	\$ -	\$ -	\$ 31,433
Construction in progress	126,621	208,886	(2,087)	333,420
Capital assets, being depreciated:				
Infrastructure	8,682,554	305,768		8,988,322
Land improvements	21,318			21,318
Structures and improvements	289,889			289,889
Vehicles and rolling stock	299,569	69,175	(52,010)	316,734
Total capital assets, being depreciated	9,293,330	374,943	(52,010)	9,616,263
Less accumulated depreciation:	(5,392,806)	(320,279)	52,010	(5,661,075)
Total capital assets, being depreciated, net	3,900,524	54,664		3,955,188
Business- type activities capital assets, net	\$ 4,058,578	\$ 263,550	\$ (2,087)	\$ 4,320,041

LAKE SHASTINA COMMUNITY SERVICES DISTRICT
Notes to Financial Statements
June 30, 2019

Note 5: Long-term Liabilities

Governmental Activities:

A summary of the changes in the District's long-term liabilities reported in the governmental activities column of the government-wide financial statements for the year ended June 30, 2019:

	Balance 7/1/2018	Additions	Adjustments/ Retirements	Balance 6/30/2019	Due Within One Year
Compensated absences	\$ 9,408	\$ 17,265	\$ (17,692)	\$ 8,981	\$ 3,592
Net pension liability	232,081	-	(11,439)	220,642	
Total	<u>\$ 241,489</u>	<u>\$ 17,265</u>	<u>\$ (29,131)</u>	<u>\$ 229,623</u>	<u>\$ 3,592</u>

Business Activities:

A summary of the changes in the District's long-term business-type liabilities reported in the proprietary funds statement of net position and the business-type activities column of the government-wide financial statements for the year ended June 30, 2019:

	Balance 7/1/2018	Additions	Adjustments/ Retirements	Balance 6/30/2019	Due Within One Year
Compensated absences	\$ 55,251	\$ 46,229	\$ (37,728)	\$ 63,752	\$ 25,501
Net pension liability	627,480	-	(24,307)	603,173	
Note Payable	364,918	-	(39,897)	325,021	42,307
Total	<u>\$ 1,047,649</u>	<u>\$ 46,229</u>	<u>\$ (101,932)</u>	<u>\$ 991,946</u>	<u>\$ 67,808</u>

Note Payable

On August 18, 2010, the sewer fund obtained a \$600,000 loan to finance the sewer pond construction. The loan, with interest calculated at 5.95%, is to be repaid in thirty semi-annual payments of \$30,513 over fifteen years. Principal and interest paid for the current year was \$61,026. Total principal and interest remaining on the loan is \$518,718 which is the amount of the remaining dedicated source of pledged revenues.

The annual debt service requirements to maturity for Business-Type Activities are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2020	\$ 42,307	\$ 18,719	\$ 61,026
2021	44,862	16,164	61,026
2022	47,570	13,455	61,025
2023	50,443	10,583	61,026
2024	53,489	7,536	61,025
2025-2026	86,350	5,189	91,539
Totals	<u>\$ 325,021</u>	<u>\$ 71,646</u>	<u>\$ 396,667</u>

LAKE SHASTINA COMMUNITY SERVICES DISTRICT
Notes to Financial Statements
June 30, 2019

Note 6: Defined Benefit Pension Cost-Sharing Employer Plan

A. General Information about the Pension Plans

Plan Descriptions – All qualified non-safety permanent and probationary employees are eligible to participate in the District’s separate Miscellaneous Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees’ Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire between ages 55 and 60, dependent upon the individual plan criteria, with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

The Plans’ provisions and benefits in effect at June 30, 2019, are summarized as follows:

	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50-57	52-67
Monthly benefits, as a % of compensation	1.5% to 2.0%	1.0% to 2.0%
Required employee contribution rates	7.00%	6.25%
Required employer contribution rates	8.89%	6.84%

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

For the year ended June 30, 2019, the contributions recognized as part of pension expense for each Plan were as follows:

Contributions-Employer-Misc Tier 1	\$	86,867
Contributions-Employer-PEPRA		9,099

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

As of June 30, 2019, the District reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

	Proportionate share of Net pension liability
Miscellaneous Plan	\$ 823,815

LAKE SHASTINA COMMUNITY SERVICES DISTRICT
Notes to Financial Statements
June 30, 2019

Note 6: Defined Benefit Pension Cost-Sharing Employer Plan (Continued)

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2016, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

The District's proportionate share of the net pension liability as of June 30, 2017 and 2018 measurement dates were as follows:

Proportion - June 30, 2017	0.02180%
Proportion - June 30, 2018	0.02186%
Change - Increase (Decrease)	0.00005%

For the year ended June 30, 2019, the District recognized pension expense of \$98,268. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 20,852	\$ -
Changes of assumptions	70,900	
Net difference between projected and actual earnings on pension plan investments	4,073	-
Changes in proportion		(13,810)
Changes in proportionate share of contributions		(36,340)
District contributions subsequent to the measurement date	95,966	-
Total	<u>\$ 191,791</u>	<u>\$ (50,150)</u>

\$95,966 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Period	
<u>Year Ended June 30:</u>	
2019	\$ (50,959)
2020	(32,244)
2021	30,135
2022	7,393

LAKE SHASTINA COMMUNITY SERVICES DISTRICT
Notes to Financial Statements
June 30, 2019

Note 6: Defined Benefit Pension Cost-Sharing Employer Plan (Continued)

Actuarial Assumptions – The total pension liabilities in the June 30, 2017 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Payroll Growth	3.00%
Projected Salary Increase	3.3% - 14.2% (1)
Investment Rate of Return	7.15%

Discount Rate – The discount rate used to measure the total pension liability was 7.15% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

LAKE SHASTINA COMMUNITY SERVICES DISTRICT
Notes to Financial Statements
June 30, 2019

Note 6: Defined Benefit Pension Cost-Sharing Employer Plan (Continued)

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1-10 (1)</u>	<u>Real Return Years 11+ (2)</u>
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28%	1.00%	2.62%
Inflation Assets	0%	0.77%	1.81%
Private Equity	8%	6.30%	7.23%
Real Estate	13%	3.75%	4.93%
Liquidity	1%	0.00%	-0.92%

(1) An expected inflation of 2.00% used for this period

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

Sensitivity of the 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 for each Plan, calculated using the discount rate for each Plan, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>Discount Rate -1% (6.15%)</u>	<u>Current Discount Rate (7.15%)</u>	<u>Discount Rate +1% (8.15%)</u>
Misc Tier I	\$ 1,323,275	\$ 823,815	\$ 411,518

Note 7: Money Purchase Pension Plan

The Lake Shastina Community Services District Money Purchase Pension Plan was adopted for the purpose of rewarding long and loyal service to the Police Officer employee’s by adding additional financial security at retirement. Incidental benefits are provided in the case of disability, death or termination of employment. The Plan is a type of qualified retirement plan commonly referred to as a money purchase pension plan. Since the principal purpose of the plan is to provide benefits at normal retirement age, the principal goal of the investment of the funds in the plan should be both security and long-term stability with moderate growth commensurate with the anticipated retirement dates of participants. Investments, other than “fixed dollar” investments, should be included among the plan’s investments to prevent erosion by inflation. However, investments should be sufficiently liquid to enable to plan, on short notice, to make some distributions in the event of death or disability of a participant. Employees are generally not taxed on the amounts the District contributes to the Plan on their behalf until they withdraw these amounts from the Plan.

The District contributes an amount equal to 6 percent of eligible police department employees’ regular wages. Total contributions for the year ended June 30, 2019 were \$8,161. Police department eligible employees are also covered by Social Security.

LAKE SHASTINA COMMUNITY SERVICES DISTRICT
Notes to Financial Statements
June 30, 2019

Note 8: Interfund Transactions

Transfers are used to (1) move revenues from the fund required by statute or budget to collect them to the fund required by statute or budget to expend them, and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Receivables and Payables

Balances representing lending/borrowing transactions between funds outstanding at the fiscal year end are reported as either “due from/due to other funds” (amounts due within one year), “advances to/from other funds” (non-current portions of interfund lending/borrowing transactions), or “loans to/from other funds” (long-term lending/borrowing transactions evidenced by loan agreements). Advances and loans to other funds are offset by a fund balance reserve in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

Note 9: Related Party Transaction

The District prepares, bills and collects the association dues for the Lake Shastina Property Owner’s Association (LSPOA). The District also processes bills, payroll and provides other financial and administrative services for the LSPOA. The LSPOA utilizes office space in the District administration building, has a separate Board of Directors, is a separate legal entity and is not reported as a component unit of Lake Shastina Community Services District as defined by its reporting entity. The amount of payroll reimbursements paid by LSPOA to the District during the 2018/19 fiscal year was \$84,876 and the amount of shared services and supplies reimbursed was \$49,303. Furthermore the LSPOA general manager is also a Board Member of Lake Shastina Community Services District.

Note 10: Stewardship, Compliance and Accountability

A. Deficit Fund Balances

At June 30, 2019, the General Fund had a negative fund balance of \$97,154, and the Cops Fund had a negative fund balance of \$80,139.

B. Prior Period Adjustments

A prior period adjustment was made increasing beginning net position in the sewer fund \$125,476 to capitalized prior year expenses for the B-114 sewer lift station. A prior period adjustments was made decreasing beginning fund balance in the Fire fund \$3,885 to adjust for prior year strike team receivables.

C. Budget Variances

The police fund functional expense was \$7,463 over the legally adopted budget.

Note 11: Revenue Limitations Imposed by California Proposition 218

Proposition 218, which was approved by the voters in November 1996, regulates 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 and may be rescinded in the future years by the voters.

LAKE SHASTINA COMMUNITY SERVICES DISTRICT
Notes to Financial Statements
June 30, 2019

Note 12: Commitments and Contingencies

Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor 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 cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

In the normal course of business, the District is subject to various lawsuits. Defense of lawsuits is typically handled by the District's insurance carrier and losses, if any, are expected to be covered by insurance.

Commitments

The District had professional service commitments as of June 30, 2019.

LAKE SHASTINA COMMUNITY SERVICES DISTRICT

**REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
June 30, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues				
Interest	\$ 2,200	\$ 2,200	\$ 1,341	\$ (859)
Rental income	83,420	83,420	83,420	(0)
Other revenues and reimbursements	<u>4,500</u>	<u>4,500</u>	<u>4,401</u>	<u>(99)</u>
Total Revenues	<u>90,120</u>	<u>90,120</u>	<u>89,162</u>	<u>(958)</u>
Expenditures				
General administration	91,370	81,620	38,335	43,285
Interest expense	4,750	8,500	8,576	(76)
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>96,120</u>	<u>90,120</u>	<u>46,911</u>	<u>43,209</u>
Excess (Deficit) of Revenues over Expenditures*	<u>\$ (6,000)</u>	<u>\$ -</u>	42,251	<u>\$ 42,251</u>
Fund Balances, July 1, 2018			<u>(139,405)</u>	
Fund Balances, June 30, 2019			<u>\$ (97,154)</u>	

*Negative balance to be reserve transfer

LAKE SHASTINA COMMUNITY SERVICES DISTRICT

**REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
POLICE FUND
June 30, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues				
Assessments	\$ 434,160	\$ 434,160	\$ 423,254	\$ (10,906)
Intergovernmental			9,103	9,103
Use of money and property	6,200	8,900	7,210	(1,690)
License and permits	6,600	6,600	4,301	(2,299)
Other revenues and reimbursements	500	6,732	12,488	5,756
	<u>447,460</u>	<u>456,392</u>	<u>456,356</u>	<u>(36)</u>
Expenditures				
Public protection-police	456,059	416,070	423,533	(7,463)
Capital outlay	25,800		-	-
	<u>481,859</u>	<u>416,070</u>	<u>423,533</u>	<u>(7,463)</u>
Excess (Deficit) of Revenues over Expenditures				
Before Other Financing Sources (Uses)	<u>(34,399)</u>	<u>40,322</u>	<u>32,823</u>	<u>(7,498)</u>
Other Financing Sources (Uses)				
Gain on sale of assets		3,500	3,000	(500)
Total Other Financing Sources (Uses)		<u>3,500</u>	<u>3,000</u>	<u>(500)</u>
Net Change in Fund Balance*	<u>\$ (34,399)</u>	<u>\$ 43,822</u>	35,823	<u>\$ (7,998)</u>
Fund Balances, July 1, 2018			<u>542,590</u>	
Fund Balances, June 30, 2019			<u>\$ 578,413</u>	

*Negative balance to be reserve transfer

LAKE SHASTINA COMMUNITY SERVICES DISTRICT

**REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
FIRE FUND
June 30, 2019**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Assessments	\$ 117,805	\$ 117,805	\$ 115,190	\$ (2,615)
Intergovernmental revenues	150,000	487,000	496,343	9,343
Use of money and property	1,100	1,100	2,263	1,163
Fines forfeitures and penalties		15,000	11,400	(3,600)
Charges for services			41,825	41,825
Other revenues and reimbursements	10,316	50,824	16,661	(34,163)
Total Revenues	279,221	671,729	683,682	11,953
Expenditures				
Public protection-fire	294,038	579,011	573,839	5,172
Capital outlay	-	25,000	20,413	4,587
Total Expenditures	294,038	604,011	594,252	9,759
Excess (Deficit) of Revenues over Expenditures*	\$ (14,817)	\$ 67,718	89,430	\$ 21,712
Fund Balances, July 1, 2018			273,061	
Prior Period Adjustment			(3,855)	
Fund Balances, June 30, 2019			\$ 358,636	

*Negative balance to be reserve transfer

LAKE SHASTINA COMMUNITY SERVICES DISTRICT

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE PLAN'S PROPORTIONATE SHARE OF THE NET PENSION
LIABILITY
June 30, 2019**

<u>Measurement Date</u>	<u>District's proportionate share of the net pension liability (asset)</u>	<u>District's proportionate share of the net pension liability (asset)</u>	<u>District's covered-employee payroll</u>	<u>District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll</u>	<u>Plan fiduciary net position as a percentage of the total pension liability</u>
6/30/2014	0.01041%	\$647,752	\$531,976	121.76%	66.00%
6/30/2015	0.02384%	\$653,982	\$433,896	150.72%	71.25%
6/30/2016	0.02210%	\$767,697	\$334,425	229.56%	72.61%
6/30/2017	0.02180%	\$859,560	\$345,984	248.44%	65.04%
6/30/2018	0.02186%	\$823,815	\$437,361	188.36%	67.47%

The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, only information for those years for which information is available is presented.

LAKE SHASTINA COMMUNITY SERVICES DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
June 30, 2019

<u>Measurement Date</u>	<u>Contractually required contribution</u>	<u>Contributions in relation to the contractually required contribution</u>	<u>Contribution deficiency (excess)</u>	<u>District's covered employees payroll</u>	<u>Contribution as a percentage of covered-employee payroll</u>
6/30/2014	\$83,991	(\$83,991)	\$0	\$531,976	15.79%
6/30/2015	\$83,991	(\$83,991)	\$0	\$433,896	19.36%
6/30/2016	\$71,983	(\$71,983)	\$0	\$334,425	21.52%
6/30/2017	\$81,082	(\$81,082)	\$0	\$345,984	23.44%
6/30/2018	\$95,966	(\$95,966)	\$0	\$437,361	21.94%

The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, only information for those years for which information is available is presented.

LAKE SHASTINA COMMUNITY SERVICES DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2019

Budgets and Budgetary Accounting

As required by the laws of the State of California, the District prepares and legally adopts a final balanced operating budget. Public hearings were conducted on the proposed final budget to review all appropriations and the sources of financing. Because the final budget must be balanced, any shortfall in revenue requires an equal reduction in financing requirements. At the fund level, actual expenditures cannot exceed budgeted appropriations.

Budgets for the general, and special revenue funds are adopted on the modified accrual basis of accounting. The budgets for the general and special revenue funds are the only legally adopted budgets. Budgets for the proprietary funds are used for management and control purposes only.

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

LARRY BAIN, CPA

An Accounting Corporation

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
Lake Shastina Community Services District
Weed, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Lake Shastina Community Services District as of and for the fiscal year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Lake Shastina Community Services District basic financial statements and have issued our report thereon dated January 20, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lake Shastina Community Service District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lake Shastina Community Services District internal control. Accordingly, we do not express an opinion on the effectiveness of Lake Shastina Community Services District's internal control.

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 a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a 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.

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 FS 2019-001 through FS 2019-002 in the following schedule of findings to be deficiencies in internal control that we considered a 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 finding FS 2019-003 through FS 2019-006 in the following schedule of findings to be significant deficiencies in the District's internal control:

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lake Shastina Community Service District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The Lake Shastina Community Service District's written response to the 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.

This report is intended solely for the information and use of management, the audit committee, Board of Directors, the Siskiyou County Auditor Controller's Office, the California State Controller's Office, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Larry Bain, CPA,
An Accounting Corporation
January 20, 2020

**LAKE SHASTINA COMMUNITY SERVICES DISTRICT
FINDINGS and RECOMMENDATIONS
JUNE 30, 2019**

Deemed to be Significant Deficiency and Material Weaknesses

Finding 2019-001: 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. 122c 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. We also posted numerous material journal entries as part of our audit in order to agree the financial statements with the underlying support. We have noted this condition in the prior audit.

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 if it considers the cost will outweigh the benefit.

District Response: The District agrees with this recommendation and, in addition to providing staff with additional training where applicable, the District will continue to explore the costs of using a CPA to prepare the GAAP financial statements after fiscal year end or as needed.

Finding 2019-002: During our audit material journal entries were proposed for the following: 1) \$209,357.07 to reclassify sewer fund capital assets from the expense account to capital asset accounts. 2) \$246,907.49 to reclassify water fund capital expenses to capital asset accounts. 3) Record \$183,850.67 sewer accumulated depreciation and depreciation expense and record \$136,427.79 water fund accumulated depreciation and depreciation expense. 4) Remove vehicle asset and accumulated depreciation totaling \$52,009.68 split between water and sewer funds for a sold/surplused vehicle. 5) Accrue an additional \$48,636.37 accounts payable in the water fund for B-56 and B-9 CIP upgrades. 6) Adjust \$36,028 for compensated absences split between water and sewer funds. 7) Reclassify \$388,957.56 administrative overhead recorded in the general fund to the water, sewer, police and fire funds.

Recommendation: We recommend the District close the books and record all closing entries prior to the start of the audit. The auditor cannot be considered part of the internal control responsible for closing the District books and ensuring the account balances agree to the underlying support.

District Response: The District agrees with this recommendation and will make every effort to make sure staff has this process completed before the start of the next audit.

Deemed to be Significant Deficiency and Not Material Weaknesses

FS 2019-003 (Prior Year Finding 2018-005): We noted the fire department overbilled OES for the Lane Fire strike team reimbursement. Furthermore strike team invoices are prepared by the fire chief and sent directly by the fire chief to OES with a return address, for checks to be mailed, to the fire department. The invoices are not entered into the general ledger as an accounts receivable when they are billed. This provides a lack of review for accuracy and a lack of segregation of duties for billing and collecting funds. This also increases the risk of material misstatement in the financial statements for misappropriation of assets.

During our testing of strike team activity we noted relatives of fire department management who were working as strike team members, and it appeared that a fire department management employee was involved in their hiring.

**LAKE SHASTINA COMMUNITY SERVICES DISTRICT
FINDINGS and RECOMMENDATIONS
JUNE 30, 2019**

Deemed to be Significant Deficiency and Not Material Weaknesses (Continued)

Current Year Follow Up: During the current fiscal year audit we noted continuing problems with the strike team billing. We noted the District overbilled CalFire/OES a net total of \$14,853.93 during the 2018/19 fiscal year and we did not observe that the overbilling for the Lane Fire strike team had been reimbursed to CalFire/OES.

We also noted that the amounts reported to CalFire/OES for firefighter salaries on the salary survey and the administrative overhead rate were not supported by underlying documentation. We were informed that the administrative overhead rate was calculated based on budgets as opposed to actual overhead costs. The salary survey rates reported to CalFire/OES for firefighters did not appear to be supported by actual rates paid to firefighters. The salary survey indicated a firefighter hourly rate of \$24.14, as opposed to the default rate of \$20.69. We estimate the District overbilled CalFire/OES for strike team firefighter reimbursements in the 2018/19 fiscal year by \$35,608.60. This lack of supporting documentation could result in questioned costs that will have to be repaid to the State.

Recommendation: We recommend the District continue to follow up on the overbilling for the Lane fire strike team and the additional overbillings for the 2018/19 fiscal year. We also recommend that the Finance Department audit the Strike Team invoice information prior to submitting it to CalFire OES to verify data accuracy in order to avoid billing errors. The Finance Department and Board of Directors should also review and approve the salary survey and the administrative overhead rate to verify they are supported by underlying documentation. The District should consult with CalFire OES regarding the unsupported amount reported on the salary survey versus the default rate and determine if a reimbursement to CalFire OES is necessary.

District Response: The District agrees with this recommendation and is in the process of determining what we can bill CalFire OES. Staff will continue look into determining if there is an overbilling and work with the Fire Chief regarding this matter,

Finding 2019-004: (Prior Year Finding 2018-006): During our audit we noted the Cops Grant Fund had a negative cash balance of \$91,168 which was reclassified as a due to/from the Cops Grant Fund to the Police Department fund. The Cops Grant fund also had a negative fund balance of \$92,530 at June 30, 2017.

Current Year Follow Up: During the current year we noted the Cops Grant fund had a negative fund balance of \$80,139 and a due to the police department fund of \$91,168.

Recommendation: Because the Cops Grant fund operates with a restricted allocation each year, any shortage should be made up from the Police department fund. We recommend the District review the activity in the Cops Grant fund and cure the due to other fund liability and the negative fund balance.

District Response: The District agrees with this recommendation and will make the adjustment for the Police department fund.

Finding 2019-005: During our audit we noted the medical building rent payment was received on June 28, 2019, however it was shown as rent receivable at June 30, 2019. We also noted instances where the medical center revenue was misposted to incorrect revenue accounts.

Recommendation: When the funds were received they should have been recorded to cash and the receivable balance should have been removed. Because the check was not deposited to the bank until July 2019 it should also have been shown as a deposit in transit.

We also recommend better attention to detail in posting deposits to the correct revenue accounts and that a second finance employee review the postings to verify accuracy.

Finding 2019-006: During our audit we noted instances where cash and check collections were held at the District for more than two weeks between the time of collection and the time of deposit.

**LAKE SHASTINA COMMUNITY SERVICES DISTRICT
FINDINGS and RECOMMENDATIONS
JUNE 30, 2019**

Deemed to be Significant Deficiency and Not Material Weaknesses (Continued)

Recommendation: We recommend more frequent deposits.

District Response: The District agrees with this Recommendation and will make sure that staff is making more frequent deposits.

**LAKE SHASTINA COMMUNITY SERVICES DISTRICT
FOLLOW UP ON PRIOR YEAR
FINDINGS and RECOMMENDATIONS
JUNE 30, 2018**

Prior Year Finding 2018-001:

Prior Year 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 if it considers the cost will outweigh the benefit.

Current Year Follow Up: See finding 2019-001 for continuing deficiency.

Prior Year Finding 2018-002:

Prior Year Recommendation: We recommend only recording items to accrued expense or accounts payable when the service is performed or the item is received prior to fiscal year end , to properly reflect the full accrual basis of accounting for enterprise funds and the modified accrual basis of accounting for governmental funds in accordance with generally accepted accounting principles (GAAP). An accrual is not appropriate if only to satisfy when the item was budgeted. We also recommend the District amend the budget to reflect the period when the actual expenditure is incurred.

Current Year Follow Up: During the current year audit we did not detect accrued expenses that were accrued based on when the expenditure was budgeted.

Prior Year Finding 2018-003:

Prior Year Recommendation: We recommend reconciling accounts receivables prior to the auditor starting field work.

Current Year Follow Up: We noted that the credit balances were all being recorded to the water fund after the new billing software conversion. The credit balances had not been allocated to the different funds. The amount of credit balances totalled \$5,541.10 which was not considered material to the financial statements.

Prior Year Finding 2018-004:

Prior Year Recommendation: We recommend only recording items meeting the definition of a capital asset to the capital improvement account. We also recommend retaining a copy of the completed bill of sale (attached to the pink slip) when selling vehicles.

Current Year Follow Up: See finding FS 2019-002 for continuing deficiency

Finding 18-5:

Prior Year Recommendation: We recommend the District follow up on the overbilling for the Lane fire strike team receipt and determine if a reimbursement is owed. We also recommend the fire chief prepare the invoice to OES for strike team reimbursements and then provide the invoice with the backup documentation to the finance department. The finance department would then reconcile the invoice to the underlying documentation for accuracy, send the invoice to the appropriate agency and record an accounts receivable in the general ledger so the district can track the billing and collection of the funds.

We recommend the District review the nepotism policy of the District involving management level employees hiring relatives and communicate the proper hiring procedures for management employee relatives.

Current Year Follow UP: See finding FS 2019-003 for continuing deficiency

**LAKE SHASTINA COMMUNITY SERVICES DISTRICT
FOLLOW UP ON PRIOR YEAR
FINDINGS and RECOMMENDATIONS
JUNE 30, 2018**

Prior Year Finding 2018-006:

Prior Year Recommendation: Because the Cops Grant fund operates with a restricted allocation each year, any shortage should be made up from either the general fund or the Police department fund. We recommend the District review the activity in the Cops Grant fund and cure the due to other fund (negative cash) liability and the negative fund balance.

Current Year Follow Up: See finding FS 2019-004 for continuing deficiency