

SCOTIA COMMUNITY SERVICES DISTRICT

BASIC FINANCIAL STATEMENTS

June 30, 2021

SCOTIA COMMUNITY SERVICES DISTRICT

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Scotia Community Services District
Scotia, California

Report on Financial Statements

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 the Scotia Community Services District as of and for the 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 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 Minimum Audit Requirements for California Special Districts issued by the State Controller's Office. 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 auditors' 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.

Board of Directors
Scotia Community Services District

Opinions

In our opinion, 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, and the aggregate remaining fund information of the Scotia Community Services District as of June 30, 2021 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

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

ANDERSON, LUCAS, SOMERVILLE, & BORGES, LLP

January 19, 2022
Fortuna, California

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

SCOTIA COMMUNITY SERVICES DISTRICT
Statement of Net Position
June 30, 2021

EXHIBIT A

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ -	\$ 1,874,805	\$ 1,874,805
Restricted Cash	1,192,820	16,402	1,209,222
Accounts Receivable	-	156,746	156,746
Loan Costs, Net of Amortization	56,042	-	56,042
Prepaid Insurance	-	7,050	7,050
Deposit	-	-	-
	<hr/>	<hr/>	<hr/>
Total Current Assets	1,248,862	2,055,003	3,303,865
Capital Assets, Net of Accumulated Depreciation			
Water Services	-	3,965,688	3,965,688
Sewer Services	-	2,335,248	2,335,248
Governmental Services	8,759,403	-	8,759,403
	<hr/>	<hr/>	<hr/>
Total Capital Assets, Net of Accumulated Depreciation	8,759,403	6,300,936	15,060,339
Total Assets	<hr/> 10,008,265	<hr/> 8,355,939	<hr/> 18,364,204
LIABILITIES			
Current Liabilities			
Accounts Payable	22,929	24,645	47,574
Payroll Liabilities	-	(4,836)	(4,836)
Credit Card Payable	715	-	715
Loan Interest Payable	8,121	-	8,121
Customer Deposits	-	14,642	14,642
Deferred Grant	-	300,000	300,000
Current Portion of Long Term Debt	55,000	-	55,000
	<hr/>	<hr/>	<hr/>
Total Current Liabilities	86,765	334,451	421,216
Loan Payable, less Current Portion	<hr/> 1,035,000	<hr/> -	<hr/> 1,035,000
	<hr/>	<hr/>	<hr/>
Total Long-Term Liabilities	1,035,000	-	1,035,000
Total Liabilities	<hr/> 1,121,765	<hr/> 334,451	<hr/> 1,456,216
NET POSITION			
Net Investment in Capital Assets	8,759,403	6,300,936	15,060,339
Restricted	-	16,402	16,402
Unrestricted	127,097	1,704,150	1,831,247
	<hr/>	<hr/>	<hr/>
Total Net Position	<hr/> \$ 8,886,500	<hr/> \$ 8,021,488	<hr/> \$ 16,907,988

The accompanying notes are an integral part of these financial statements

EXHIBIT B

SCOTIA COMMUNITY SERVICES DISTRICT

Statement of Activities

For the Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total District Business-Type Activities
Primary Government						
Governmental Activities:						
Streets and Lighting	\$ 32,574	\$ 65,399	-	-	32,825	32,825
Storm Drainage	22,304	27,629	-	-	5,325	5,325
Parks and Recreation	104,238	162,469	2,402	-	60,633	60,633
General and Administrative	-	-	-	-	-	-
Total Governmental Activities	<u>159,116</u>	<u>255,497</u>	<u>2,402</u>	<u>-</u>	<u>98,783</u>	<u>98,783</u>
Business-type Activities:						
Water Services	571,708	529,941	-	-	(41,767)	(41,767)
Sewer Services	452,681	773,389	-	-	320,708	320,708
Total Business-Type Activities	<u>1,024,389</u>	<u>1,303,330</u>	<u>-</u>	<u>-</u>	<u>278,941</u>	<u>278,941</u>
Total District Activities	<u>\$ 1,183,505</u>	<u>\$ 1,558,827</u>	<u>\$ 2,402</u>	<u>\$ -</u>	<u>98,783</u>	<u>377,724</u>
General Revenues:						
Interest Income					6,229	6,229
Interest Expense					(33,337)	(33,337)
Operating Transfers					9,940	-
Total General Revenues and Transfers					<u>(9,940)</u>	<u>(27,108)</u>
Change in Net Position					81,615	350,616
Net Position - Beginning of Year					8,804,885	16,557,374
Rounding					(2)	(2)
Net Position - End of Year					<u>\$ 8,886,500</u>	<u>\$ 16,907,988</u>

The accompanying notes are an integral part of these financial statements

FUND FINANCIAL STATEMENTS

EXHIBIT C**SCOTIA COMMUNITY SERVICES DISTRICT**
Balance Sheet of Governmental Funds
June 30, 2021**ASSETS**

Cash and Cash Equivalents	\$ -
Restricted Cash	1,192,820
Accounts Receivable, Net of Allowance	-
Deposits	-
	<hr/>
Total Assets	<u>1,192,820</u>

LIABILITIES

Accounts Payable	22,929
Credit Card Payable	715
Loan Interest Payable	8,121
	<hr/>
Total Liabilities	<u>31,765</u>

FUND BALANCE

Restricted	-
Unassigned	1,161,055
	<hr/>
Total Fund Balance	<u>1,161,055</u>
	<hr/>
Total Liabilities and Fund Balance	<u>\$ 1,192,820</u>

The accompanying notes are an integral part of these financial statements

Exhibit D

SCOTIA COMMUNITY SERVICES DISTRICT
Statement of Revenues, Expenditures, And Changes in Fund Balances of Governmental Funds
For the Year Ended June 30, 2021

OPERATING REVENUES	
Streets and Lighting	\$ 65,399
Storm Drainage	27,629
Parks and Recreation	162,469
Other Income	<u>2,402</u>
Total Operating Revenues	<u>257,899</u>
OPERATING EXPENDITURES	
Current Expenditures:	
Services and Supplies	128,043
Capital Expenditures:	
Park Improvements	<u>252,371</u>
Total Operating Expenditures	<u>380,414</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(122,515)
NONOPERATING REVENUES (EXPENDITURES)	
Principal Payments on Debt	(55,000)
Interest Income	6,229
Interest Expense	<u>(33,337)</u>
Total Nonoperating Revenues (Expenditures)	(82,108)
OTHER FINANCING SOURCES (USES)	
Transfers In (Out)	<u>9,940</u>
NET CHANGE IN FUND BALANCE	(194,683)
FUND BALANCE - Beginning of Year	<u>1,355,738</u>
FUND BALANCE - End of Year	<u><u>\$ 1,161,055</u></u>

The accompanying notes are an integral part of these financial statements

SCOTIA COMMUNITY SERVICES DISTRICT
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
 June 30, 2021

Reconciliation:

Total Fund Balances of Governmental Funds (Exhibit C) \$ 1,161,055

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds balance sheet. However, the statement of net position includes those capital assets. In the current period, these amounts were as follows:

Capital Assets	8,843,997
Accumulated Depreciation	(84,594)
Loan Costs	56,042

Long-term liabilities applicable to the District are not due and payable in the current period and, accordingly, are not reported as governmental fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position as follows:

Long-term Debt	(1,090,000)
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Net Position - Governmental Activities (Exhibit A) \$ 8,886,500

SCOTIA COMMUNITY SERVICES DISTRICT
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
 For the Year Ended June 30, 2021

Reconciliation:

Net Change in Fund Balance - Total Governmental Funds (Exhibit D)	\$	(194,683)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense as follows:

Capital Outlay Expense		252,371
Depreciation Expense		(27,273)
Amortization of Loan Costs		(3,800)

The repayment of principal of long-term debt consumes current financial resources, and therefore, is reported as debt service principal payments in the governmental funds. However, these payments have no impact on net position, and therefore, are not reported in the statement of activities as follows:

Debt Service Principal		55,000
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Change in Net Position - Governmental Activities (Exhibit B)	\$	81,615
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SCOTIA COMMUNITY SERVICES DISTRICT
Statement of Net Position
Proprietary Funds
June 30, 2021

	<u>Water Activities</u>	<u>Sewer Activities</u>	<u>Total</u>
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 495,319	\$ 1,379,486	\$ 1,874,805
Restricted Cash	8,201	8,201	16,402
Accounts Receivable	64,940	91,806	156,746
Prepaid Insurance	3,525	3,525	7,050
	<hr/>	<hr/>	<hr/>
Total Current Assets	571,985	1,483,018	2,055,003
Total Capital Assets, Net of Accumulated Depreciation	<hr/>	<hr/>	<hr/>
	3,965,688	2,335,248	6,300,936
Total Assets	<hr/>	<hr/>	<hr/>
	4,537,673	3,818,266	8,355,939
LIABILITIES			
Current Liabilities			
Accounts Payable	15,585	9,060	24,645
Customer Deposits	7,321	7,321	14,642
Payroll Liabilities	(2,418)	(2,418)	(4,836)
Deferred Grant	300,000	-	300,000
	<hr/>	<hr/>	<hr/>
Total Current Liabilities	320,488	13,963	334,451
Total Liabilities	<hr/>	<hr/>	<hr/>
	320,488	13,963	334,451
NET POSITION			
Net Investment in Capital Assets	3,965,688	2,335,248	6,300,936
Restricted	8,201	8,201	16,402
Unrestricted	243,296	1,460,854	1,704,150
	<hr/>	<hr/>	<hr/>
Total Net Position	<u>\$ 4,217,185</u>	<u>\$ 3,804,303</u>	<u>\$ 8,021,488</u>

SCOTIA COMMUNITY SERVICES DISTRICT
Statement Of Revenues, Expenses, And Changes In Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2021

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
OPERATING REVENUES			
Treated Water Sales	\$ 475,670	\$ -	\$ 475,670
Raw Water Sales	45,985	-	45,985
Sewer Charges	-	766,139	766,139
Other Operating Revenue	8,286	7,250	15,536
	<hr/>	<hr/>	<hr/>
Total Operating Revenues	529,941	773,389	1,303,330
OPERATING EXPENSES			
Personnel Expenses	43,579	115,873	159,452
Lab Testing and Monitoring	3,226	26,422	29,648
Professional Fees	6,478	13,835	20,313
Other Contract Services	5,056	7,442	12,498
Fees and Permits	3,556	7,977	11,533
Insurance	33,185	28,234	61,419
Office Supplies	-	105	105
Operating Supplies	2,296	4,289	6,585
Chemical Supplies	14,319	8,829	23,148
Electrical	182,204	35,595	217,799
Repairs and Maintenance	9,987	6,258	16,245
Log Pond Maintenance	-	4,818	4,818
Travel, Training and Meetings	544	168	712
Vehicle Expenses	2,478	2,636	5,114
Utilities and Communications	3,836	3,723	7,559
Administrative Costs Allocation	141,969	124,224	266,193
Depreciation	118,995	62,253	181,248
	<hr/>	<hr/>	<hr/>
Total Operating Expenses	571,708	452,681	1,024,389
	<hr/>	<hr/>	<hr/>
Operating Income	(41,767)	320,708	278,941
NON-OPERATING REVENUES (EXPENSES)			
Grant Revenue	-	-	-
Operating Transfer In (Out)	(5,301)	(4,639)	(9,940)
	<hr/>	<hr/>	<hr/>
Total Non-Operating Revenues (Expenses)	(5,301)	(4,639)	(9,940)
	<hr/>	<hr/>	<hr/>
Net Income	(47,068)	316,069	269,001
NET POSITION			
Beginning of Year	4,264,253	3,488,236	7,752,489
Rounding	-	(2)	(2)
	<hr/>	<hr/>	<hr/>
End of Year	<u>4,217,185</u>	<u>3,804,303</u>	<u>8,021,488</u>

SCOTIA COMMUNITY SERVICES DISTRICT
Statement Of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2021

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Customers and Users	\$ 519,280	\$ 763,163	\$ 1,282,443
Cash Paid for Goods and Services	(411,777)	(278,355)	(690,132)
Cash Paid for Contract Employees	(46,232)	(113,701)	(159,933)
Net Cash Provided by Operating Activities	<u>61,271</u>	<u>371,107</u>	<u>432,378</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Deferred Grant Revenue	300,000	-	300,000
Transfers to Other Funds	(5,301)	(4,639)	(9,940)
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>294,699</u>	<u>(4,639)</u>	<u>290,060</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of Capital Assets	-	(192,145)	(192,145)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>-</u>	<u>(192,145)</u>	<u>(192,145)</u>
Net Increase in Cash and Cash Equivalents	355,970	174,323	530,293
Cash and Cash Equivalents - Beginning of Year	<u>147,550</u>	<u>1,213,364</u>	<u>1,360,914</u>
Cash and Cash Equivalents - End of Year	<u>\$ 503,520</u>	<u>\$ 1,387,687</u>	<u>\$ 1,891,207</u>

The accompanying notes are an integral part of these financial statements

SCOTIA COMMUNITY SERVICES DISTRICT

Statement Of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2021

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating Income (Loss)	\$ (41,767)	\$ 320,708	\$ 278,941
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided By Operating Activities:			
Depreciation	118,995	62,253	181,248
(Increase) Decrease in:			
Accounts Receivable	(10,137)	(10,226)	(20,363)
Prepaid Expenses	(524)	(524)	(1,048)
Increase (Decrease) in:			
Accounts Payable	(7,470)	(3,277)	(10,747)
Accrued Liabilities	(2,653)	(2,653)	(5,306)
Customer Deposits	4,827	4,826	9,653
Total Adjustments	<u>103,038</u>	<u>50,399</u>	<u>153,437</u>
Net Cash Provided by Operating Activities	<u>\$ 61,271</u>	<u>\$ 371,107</u>	<u>\$ 432,378</u>

NOTES TO FINANCIAL STATEMENTS

SCOTIA COMMUNITY SERVICES DISTRICT**Notes to Financial Statements**

June 30, 2021

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**A. Organization**

The Scotia Community Services District was formed in 2014 under Government Code 61000 to provide water, wastewater, parks and recreation, limited streets and street lighting, and storm drainage services to the community of Scotia.

The District is governed by a board of five directors elected at large from the area within the District's boundaries.

In May 2017, the Board approved the Asset Transfer and Transition Agreement with the Town of Scotia. Real property assets were transferred from the Town of Scotia to the District at no cost. These included the following:

- Water treatment facilities and river intake and distribution system infrastructure
- Wastewater treatment facilities and collection system and discharge infrastructure
- Parks and recreation facilities (Museum, Winema Theatre, Fireman's Park, carpenter shop, and Scotia Soccer Field and Community Forest.
- Streets and street lighting
- Storm drainage infrastructure

In addition to the real property, Town of Scotia also contributed \$155,000 for a contingency fund and purchase of office equipment. Town of Scotia also pre-paid water and sewer utilities in advance to facilitate the transfer.

The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Government Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the District has the options to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the District has chosen not to do so. The more significant accounting policies established in GAAP and used by the District are discussed below.

SCOTIA COMMUNITY SERVICES DISTRICT
Notes to Financial Statements
June 30, 2021

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Reporting Entity

There are no significant activities or organizations over which the District has financial accountability which would require inclusion in the financial statements. Other entities operate within the District's boundaries. The following criteria were used to include or exclude other entities:

1. Simple Accountability:

The District's ability to appoint a voting majority of the other entities' governing board and, either:

- a. The District's ability to impose its will on the other entity, or
- b. The existence of a financial benefit or burden consideration between the other entity and the District

2. Fiscal dependency of the other entity upon the District.

C. Financial Statement Measurement Focus, Basis of Accounting and Presentation

The District is a multi-function special purpose government that uses separate funds to account for the transactions related to each of its distinct functions. Separate financial statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements. The District has no non-major funds.

The District uses a governmental fund to account for the activities of its various parks and recreation properties, streets and street lighting, and storm drainage infrastructure, while it uses proprietary funds to account for its water and sewer activities.

The district-wide financial statements and the proprietary fund financial statements are reported using the economic resources measurement focus and the accrual method of accounting. Under this method of accounting, revenues are recognized when earned and measurable and expenses are recognized when the related liabilities are incurred. Grants and similar items are recognized as revenue as soon as eligibility requirements imposed by the provider are met.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. In general, the District considers most revenue items measurable and available only when cash is received. Typically, the revenues subject to accrual are charges for services, interest income, and intergovernmental revenues. Expenditures are recorded when the related liability is incurred.

SCOTIA COMMUNITY SERVICES DISTRICT
Notes to Financial Statements
June 30, 2021

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Cash and Cash Equivalents

Cash and cash equivalents for purposes of the statement of cash flows includes amounts in demand deposits as well as short-term investments with an original maturity date of three months or less.

E. Capital Assets

Capital assets, which include property, plant, equipment, vehicles and infrastructure assets, are reported in the applicable governmental or business-type activities column in the district-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are recorded at cost or estimated historical cost if actual historical cost is not available. Donated assets are recorded at their fair market value on the date donated. The District has an informal capitalization threshold of \$2,500. Improvements are capitalized, while the cost of normal repairs and maintenance that do not add to the value of the asset or materially extend the asset's life are recorded as expenses in the period incurred. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Water System	40 Years
Sewer System	40 Years
Other Equipment	5 to 10 Years
Vehicles	5 Years
Buildings and Improvements	40 Years

F. Charges for Services

Charges for services result from the District providing water and sewer services to District residents.

G. Net Position

The government-wide financial statements utilize a net position presentation. Net position categories are as follows:

- **Net Investment in Capital Assets** – Net investment in capital assets consists of capital assets, net of accumulated depreciation and amortization, and reduced by debt balances outstanding or other long-term borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- **Restricted** – Restricted consists of assets that have restrictions placed upon their use by external constraints imposed either by creditors (debt covenants), grantors, contributors, or laws and regulations of other governments or constraints imposed by law through Enabling legislation.
- **Unrestricted** – Unrestricted consists of the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of the net investment in capital assets or restricted components of net position.

SCOTIA COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Fund Balance

The financial statements, governmental funds report fund balance as non-spendable, restricted, committed, assigned, or unassigned based primarily on the extent to which the District is bound to honor constraints on how specific amounts can be spent.

- **Non-spendable fund balance** - amounts that cannot be spent because they are either (a) not Spendable in form or (b) legally or contractually required to be maintained intact.
- **Restricted fund balance** – amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions enabling legislation.
- **Committed fund balance** - amounts that can only be used for specific purposes determined By formal action of the District's highest level of decision-making authority (the Board of Directors) and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.
- **Assigned fund balance** – amounts that are constrained by the District's intent to be used for specific purposes. The intent can be established at either the highest level of decision-making, or by a body or an official designated for that purpose.
- **Unassigned fund balance** – the residual classification for the District's general fund that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

The Board of Directors established, modifies, or rescinds fund balance commitments and assignments by passage of an ordinance or resolution. This is done through adoption of the budget and subsequent budget amendments that occur throughout the year.

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

I. Inventory

The District does not maintain a supplies inventory. Supplies are purchased as needed and expensed when purchased.

SCOTIA COMMUNITY SERVICES DISTRICT
Notes to Financial Statements
June 30, 2021

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Policy for Defining Operating and Non-operating Revenues

Operating revenues consist of customer fees for water and sewer services and operating expenses consist of expenses related to providing such services. Non-operating revenues consist of other revenues and expenses such as interest, grants, and government support.

K. 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 expenses during the reporting period. Actual results could differ from those estimates.

L. Inter-fund Activity

Authorized transfers between funds are treated as interfund transfers and included in the results of operations of both governmental and proprietary funds. Cash collected or payments made by one fund on behalf of another fund are treated as short-term interfund loans that affect only the statement of net assets of the funds involved. Interfund loan balances are reported in fund financial statements. Interfund loan balances between similar fund types are eliminated in the district-wide Statement of Net Position while interfund loan balances between governmental and business-type funds are reported in the district-wide Statement of Net Position.

During the fiscal year ended June 30, 2021, the District made inter-fund operating transfers as detailed at Note 9.

NOTE 2 — CASH AND INVESTMENTS

Cash and investments as of June 30, 2021, are classified as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Cash and Investments	\$ -	\$ 1,874,805	\$ 1,874,805
Cash - Restricted	<u>1,192,820</u>	<u>16,402</u>	<u>1,209,222</u>
	<u>\$ 1,192,820</u>	<u>\$ 1,891,207</u>	<u>\$ 3,084,027</u>

SCOTIA COMMUNITY SERVICES DISTRICT
Notes to Financial Statements
June 30, 2021

NOTE 3 — CAPITAL ASSETS

Depreciation expense was charged to various functions at June 30, 2021, as follows:

Governmental Activities:	
Parks and Recreation	\$ 27,271
Business-type Activities:	
Water Fund	\$ 118,995
Wastewater Fund	62,253
Total Business-type Activities	<u>\$ 181,248</u>
Total Depreciation Expense	<u>\$ 208,519</u>

The following is a summary of capital assets for the year ended June 30, 2021:

	June 30, 2021				
	Beginning Balance	Additions	Deletions	Contributed Assets	Ending Balance
GOVERNMENTAL					
Capital Assets Not Being Depreciated					
Land	\$ 7,818,300	\$ -	\$ -	\$ -	\$ 7,818,300
Total Capital Assets, Not Being Depreciated	<u>7,818,300</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,818,300</u>
Other Capital Assets					
Office Building	220,000	-	-	-	220,000
Office Building Improvements	20,365	-	-	-	20,365
Office Equipment	7,825	-	-	-	7,825
Museum	95,020	-	-	-	95,020
Museum Improvements	3,140	-	-	-	3,140
Park Gate Automatic	14,151	-	-	-	14,151
Theatre	156,548	-	-	-	156,548
Carpenter Shop	221,195	-	-	-	221,195
2019 Ford Truck	5,430	-	-	-	5,430
Park Fields Improvements	24,366	-	-	-	24,366
Equipment	5,286	-	-	-	5,286
2021 Improvements	-	252,371	-	-	252,371
Total Other Capital Assets	<u>773,326</u>	<u>252,371</u>	<u>-</u>	<u>-</u>	<u>1,025,697</u>
Less: Accumulated Depreciation	<u>(57,323)</u>	<u>(27,271)</u>	<u>-</u>	<u>-</u>	<u>(84,594)</u>
Capital Assets, Net	<u>\$ 8,534,303</u>	<u>\$ 225,100</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,759,403</u>

SCOTIA COMMUNITY SERVICES DISTRICT
Notes to Financial Statements
June 30, 2021

NOTE 3 — CAPITAL ASSETS (Continued)

	June 30, 2021				
	Beginning Balance	Additions	Deletions	Contributed Assets	Ending Balance
<u>WATER</u>					
Water Facility	\$ 504,000.00	\$ -	\$ -	\$ -	\$ 504,000
Distribution Lines	1,400,000	-	-	-	1,400,000
Office Equipment	716	-	-	-	716
Raw Water Tank	916,200	-	-	-	916,200
Treated Water Tank	573,000	-	-	-	573,000
Fire Water Tanks	229,050	-	-	-	229,050
River Intake Pumps	30,400	-	-	-	30,400
River Intake Structure	625,000	-	-	-	625,000
River Pump House	100,000	-	-	-	100,000
2019 Ford Truck	16,292	-	-	-	16,292
Equipment	6,526	-	-	-	6,526
CIP (Corridor Phase)	10,000	-	-	-	10,000
Total Other Capital Assets	<u>4,411,184</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,411,184</u>
Less: Accumulated Depreciation	<u>(326,502)</u>	<u>(118,995)</u>	<u>-</u>	<u>-</u>	<u>(445,497)</u>
Capital Assets, Net	<u>\$ 4,084,682</u>	<u>\$ (118,995)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,965,687</u>
June 30, 2021					
	Beginning Balance	Additions	Deletions	Contributed Assets	Ending Balance
<u>SEWER</u>					
Capital Assets Not Being Depreciated					
Land (Log Pond)	\$ 419,197	\$ -	\$ -	\$ -	\$ 419,197
Total Capital Assets, Not Being Depreciated	<u>419,197</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>419,197</u>
Other Capital Assets					
Waste Disposal Facilities	240,700	-	-	-	240,700
Fencing	15,342	-	-	-	15,342
Generator and Propane Tank	30,088	-	-	-	30,088
Vehicles	15,476	-	-	-	15,476
Collection System	109,720	-	-	-	109,720
Wastewater Distribution Lines	84,960	-	-	-	84,960
Collection Lines	1,400,000	-	-	-	1,400,000
Office Equipment	1,500	-	-	-	1,500
2019 Ford Truck	14,482	-	-	-	14,482
Equipment	11,116	-	-	-	11,116
Primary Clarifier	-	192,144	-	-	192,144
Total Other Capital Assets	<u>1,923,384</u>	<u>192,144</u>	<u>-</u>	<u>-</u>	<u>2,115,528</u>
Less: Accumulated Depreciation	<u>(137,224)</u>	<u>(62,253)</u>	<u>-</u>	<u>-</u>	<u>(199,477)</u>
Capital Assets, Net	<u>\$ 2,205,357</u>	<u>\$ 129,891</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,335,248</u>

SCOTIA COMMUNITY SERVICES DISTRICT
Notes to Financial Statements
 June 30, 2021

NOTE 4 — LONG TERM DEBT

The District received a loan through Umpqua Bank for \$1,171,000 at 2.98% interest with payments beginning 4/1/2020 for future ADA improvements to public buildings in Scotia. The maturity date is October 2036. Payments are due April 1 and October 1 each year. The District paid off the installment note with Town of Scotia with these funds.

The following are principal and interest requirements for the next five years until the maturity date:

<u>Years Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	56,000	32,065	88,065
2023	58,000	30,381	88,381
2024	60,000	28,638	88,638
2025	62,000	26,835	88,835
2026	63,000	24,987	87,987
2027-2031	345,000	95,360	440,360
2032-2036	<u>446,000</u>	<u>40,975</u>	<u>486,975</u>
Total	<u>\$ 1,090,000</u>	<u>\$ 279,241</u>	<u>\$ 1,369,241</u>

NOTE 5 – PENSION PLAN AND EMPLOYEE BENEFIT TRUST

The District adopted The Scotia Community Services District Public Agency Retirement Services (PARS) Defined Contribution Plan (the Plan) effective September 1, 2018 for the benefit of its eligible employees to provide retirement benefits to the employees. The Plan and Trust were established to hold assets of the Plan which qualifies under Section 401(a) as a governmental profit-sharing plan.

It is the intention of the employer to make contributions to the Plan equal to 7% of compensation. Such contributions will be made before the close of the Plan Year and be allocated to each participant in the ratio that each participant's compensation bears to the compensation of all participants. The employee will make mandatory contributions equal to 7% of compensation.

The employees are fully vested in their employee contribution account. Vesting in the employer contribution account occurs within 5 years of service with the employer. Should an employee terminate before being fully vested, they shall forfeit that portion of their account in which they are not vested.

Total retirement plan contribution expense for 2021 was \$8,018.

SCOTIA COMMUNITY SERVICES DISTRICT
Notes to Financial Statements
 June 30, 2021

NOTE 6 — PARTICIPATION IN INSURANCE AUTHORITIES

The District is a member of the Special District Risk Management Authority (SDRMA). SDRMA is a not-for-profit public agency formed under California Government Code and provides a full-service risk management program for California’s local governments. SDRMA provides comprehensive property, liability, and workers compensation protection. Each member organization pays a premium based on the level of coverage requested. Rates and/or premiums are reviewed and established annually by SDRMA’s Board of Directors. Member organizations share surpluses and deficits proportionately to their participation in the SDRMA. Each entity has an equal voice in the selection of SDRMA’s Board of Directors.

A summary of coverage under this arrangement for the fiscal year ended June 30, 2021 is as follows:

General liability and auto bodily injury and property damage coverage	\$2.5 million per occurrence/accident
Public Officials personal	\$500,000 per occurrence
Errors & Omissions	\$2.5 million per occurrence
Employee/Public Officials Dishonesty	\$1 million per occurrence
Property Pollution	\$2 million per occurrence
Public Officials Personal liability coverage	\$500,000 per occurrence
Employment Practices Aliability	\$2.5 million per occurrence
Employment Benefits	\$2.5 million per occurrence
Property Loss	\$1 billion per occurrence
Boiler & Machinery	\$100 million per occurrence

NOTE 7 – CONCENTRATIONS

The District maintains cash balances at two financial institutions. Accounts in the aggregate are insured by the Federal Deposit Insurance Corporation up to \$250,000 per bank. At June 30, 2021, uninsured cash balances were \$2,583,533.

SCOTIA COMMUNITY SERVICES DISTRICT
Notes to Financial Statements
June 30, 2021

NOTE 8 — SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 19, 2022, the date the financial statements were available to be issued.

The Town of Scotia, LLC is improving the infrastructure throughout the town in multiple phases. In August 2018, Phase 2 was completed and additional distribution and collection lines for water and sewer with an estimated fair market value of \$1,600,000 were transferred to the District. Phase III is anticipated to be completed in 2022.

The District may be affected by the recent and ongoing outbreak of the Covid-19 disease which was declared a pandemic by the World Health Organization in March 2020. The extent to which the virus impacts the District's operations will depend on future developments, which are highly uncertain, including the duration and severity of the outbreak. While management expects this matter to negatively impact its results of operations, cash flows and financial position, the related impact cannot be reasonably estimated at this time.

NOTE 9 — OPERATING TRANSFERS

During the year ended June 30, 2021, the District made operating transfers to cover the allocable costs of the building acquired for use as the District's Administrative office. The allocations were based on estimates generated by project engineers in the District's original budgeting process. A summary of the items and amounts are as follows:

Capital Outlay - Building Improvements	\$ -
Debt Service Payments - Interest	5,003
Debt Service Payments - Principal	<u>8,250</u>
 Total Allocable Expenditures	 \$ 13,253
 Allocated to Water Fund - 40%	 \$ 5,301
 Allocated to Sewer Fund - 35%	 <u>4,639</u>
 Total Interfund Transfers	 <u><u>\$ 9,940</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

SCOTIA COMMUNITY SERVICE DISTRICT
Budgetary Comparison Schedule
Budget and Actual - Governmental Funds
For the Year Ended June 30, 2021

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Rental Income	\$ 500	\$ 500	\$ 4,628	\$ 4,128
Benefit Assessments	242,650	242,650	243,931	1,281
Interest Income	500	500	6,229	5,729
Late fees	-	-	5,179	5,179
Grant	-	-	2,402	2,402
Miscellaneous	200	200	1,759	1,559
Total Revenues	<u>243,850</u>	<u>243,850</u>	<u>264,128</u>	<u>20,278</u>
EXPENDITURES				
Current Expenditures:				
General and Administrative				
Legal	2,520	2,520	-	(2,520)
Auditor	2,640	2,640	-	(2,640)
Board Stipend	720	720	-	(720)
Bookkeeping	720	720	-	(720)
IT Services	480	480	-	(480)
Engineering	5,700	5,700	-	(5,700)
Personnel Staff & Benefits	61,780	61,780	10,540	(51,240)
Allocated Admin Costs	15,452	15,452	57,657	57,657
Materials and Services				
Permits, Licenses, Dues, Publications	1,000	1,000	1,855	855
General Supplies, Lab, Monitoring	3,500	3,500	931	(2,569)
Utilities- Communications	1,000	1,000	3,067	2,067
General Maintenance & Repairs	4,000	4,000	2,992	(1,008)
Liability Insurance	20,600	20,600	20,740	140
Electrical	16,000	16,000	17,193	1,193
Contracted Maintenance Services	7,000	7,000	5,250	(1,750)
Travel, Training, Meetings	-	-	-	-
Other	-	-	7,818	7,818
Office Supplies	-	-	-	-
Total Current Expenditures	<u>143,112</u>	<u>143,112</u>	<u>128,043</u>	<u>383</u>
Other Expenditures				
Annual Debt Service	34,508	34,508	33,337	(1,171)
Note Payable Principal	-	-	55,000	55,000
Transfer to Reserve Fund	33,650	33,650	-	(33,650)
Transfer to Equipment Replacement	7,500	7,500	-	(7,500)
Total Other Expenditures	<u>75,658</u>	<u>75,658</u>	<u>88,337</u>	<u>12,679</u>
Non-Current Expenditures:				
Capital Outlay	246,800	246,800	252,371	5,571
Total Expenditures	<u>465,570</u>	<u>465,570</u>	<u>468,751</u>	<u>(3,181)</u>
Excess (Deficiency) of Revenues Over Expenditures	(221,720)	(221,720)	(204,623)	(17,097)
Operating Transfers	-	-	9,940	(9,940)
Excess (Deficiency) of Revenue and Other Transfers Over (Under) Expenditures		<u>\$ (221,720)</u>	<u>(194,683)</u>	<u>(27,037)</u>
FUND BALANCE - Beginning			1,355,738	
FUND BALANCE - Ending			<u>\$ 1,161,055</u>	