



Notice is hereby given that a  
**SPECIAL MEETING**  
Of the Board of Directors will be held at:  
400 Church Street, Scotia, CA 95565

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*Tuesday January 9th, 2024, at 12:00 P.M.*  
*In Person & Via Zoom*

**AGENDA**

**CALL TO ORDER/ ROLL CALL/ PLEDGE OF ALLEGIANCE** The Presiding Officer will call the meeting to order, and the Board Clerk will call the roll of members to determine the presence of a quorum. **PLEASE REMEMBER TO SILENCE ALL CELL PHONES**

This meeting may be accessed by using the following call-in number: 1 669 900 6833. When prompted enter the meeting i.d. 862-4056-7803 and the following password: 689170.

Or via Zoom Video Conferencing via URL:

<https://us02web.zoom.us/j/86240567803?pwd=NUJrMENuaWNpS2xjOnlDeE9NTWswQT09>

Please submit public comments in writing 24 hours ahead of the meeting, if possible. If anyone wishes to teleconference the meeting and has ADA access needs, please call the SCS D Administrative Office not less than 24 hours in advance of the meeting time to make accommodation.

All publicly posted documents on the district website are also available for inspection at the District office during regular business hours: 400 Church Street, Scotia CA 95565, Monday-Thursday 9:00am – 3:30pm.

- A. SETTING OF THE AGENDA** The Board may adopt/revise the order of the agenda as presented.
- B. PUBLIC COMMENT & WRITTEN COMMUNICATION** At every *special meeting*, the legislative body shall provide the public with an opportunity to address the body on any item described in the notice before or during consideration of that item. Comments are not generally taken on non-action items such as reports or information. **COMMENTS SHOULD BE LIMITED TO THREE MINUTES**
- C. CLOSED SESSION: None**
- D. BUSINESS**
  - 1. Presentation and review of Draft FY 2022/23 Audit by Anderson, Lucas, Somerville & Borges, LLP
- E. REPORTS-None**
- F. BOARD TRAINING -None**
- G. ADJOURNMENT**

Next Regular Meeting of the SCS D will be January 16th, 2024, at 5:30 PM. A Special meeting may be held prior to that.

Notice regarding the Americans with Disabilities Act: The District adheres to the [Americans with Disabilities Act](#). Persons requiring special accommodations or more information about accessibility should contact the District Office. Notice regarding Rights of Appeal: Persons who are dissatisfied with the decisions of the SCS D Board of Directors have the right to have the decision reviewed by a State Court. The District has adopted [Section 1094.6](#) of the [Code of Civil Procedure](#) which generally limits the time within which the decision may be judicially challenged to 90 days. All publicly posted documents on the District website are also available for inspection at the District office during regular business hours: 400 Church Street, Scotia CA 95565, Monday-Thursday 9:00am – 3:30pm.

# **Scotia Community Services District Staff Report**

DATE: January 9th, 2024  
TO: Scotia Community Services District Board of Directors  
FROM: Steve Coppini, General Manager  
SUBJECT: SCSD Draft Audit FY 2022/2023

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## **RECOMMENDATION:**

The Administrative staff recommends that the Board review and approve the Draft Audit for the Fiscal Year 2022/2023 for the Scotia Community Services District for adoption by resolution at the next Board meeting.

## **ACTION:**

Review and approve the Draft Audit for Fiscal Year 2022/2023 for the Scotia Community Services District for finalization.

## **DISCUSSION:**

Per GC §61118(a) the board of directors shall provide for regular audits of the district's accounts and records pursuant to GC §26909. Scotia CSD has contracted with Anderson, Lucas, Somerville and Borges, LLP from Fortuna, CA to conduct the District's annual audit. A draft of this Audit for FY 2022/2023 (July 1, 2022-June 30, 2023) is being submitted for Board review and approval at this Regular Board Meeting and will be brought back for adoption by resolution at the next Board meeting.

## **FISCAL IMPACT:**

The District budgeted \$25,000 for the FY 2022/2023 Annual Audit

## **ATTACHMENTS:**

Draft FY 2022-2023 Audit of the Scotia Community Services District

**SCOTIA COMMUNITY SERVICES DISTRICT**  
**FINANCIAL STATEMENTS**

**June 30, 2023**

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**SCOTIA COMMUNITY SERVICES DISTRICT**

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# ANDERSON, LUCAS, SOMERVILLE & BORGES, LLP

CERTIFIED PUBLIC ACCOUNTANTS

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JAMES M. ANDERSON (1964-2001)  
EUGENE B. LUCAS (1950-2013)  
DAVID A. SOMERVILLE, INACTIVE

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Scotia Community Services District  
Scotia, California

### Opinions

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, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Scotia Community Services District as of June 30, 2023 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.

### Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Scotia Community Services District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Scotia Community Service District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Scotia Community Services District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding , among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

**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 required 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.

**ANDERSON, LUCAS, SOMERVILLE, & BORGES, LLP**

November 14, 2023  
Fortuna, California

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**BASIC FINANCIAL STATEMENTS**

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**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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**SCOTIA COMMUNITY SERVICES DISTRICT**  
**Statement of Net Position**  
June 30, 2023

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Current Assets			
Cash and Cash Equivalents	\$ 375,036	\$ 2,963,229	\$ 3,338,265
Restricted Cash	-	19,069	19,069
Accounts Receivable	-	196,430	196,430
Prepaid Insurance	-	-	-
Total Current Assets	<u>375,036</u>	<u>3,178,728</u>	<u>3,553,764</u>
Capital Assets, Net of			
Accumulated Depreciation			
Water Services	-	4,446,242	4,446,242
Sewer Services	-	3,165,752	3,165,752
Governmental Services	9,790,985	-	9,790,985
Total Capital Assets, Net of Accumulated Depreciation	<u>9,790,985</u>	<u>7,611,994</u>	<u>17,402,979</u>
Construction in Progress	-	22,719	22,719
Loan Costs, Net of Amortization	48,444	-	48,444
Total Assets	<u>10,214,465</u>	<u>10,813,441</u>	<u>21,027,906</u>
<b>LIABILITIES</b>			
Current Liabilities			
Accounts Payable	17,067	34,064	51,131
Payroll Liabilities	-	677	677
Credit Card Payable	1,600	23	1,623
Loan Interest Payable	7,271	-	7,271
Customer Deposits	-	19,502	19,502
Current Portion of Long Term Debt	60,000	-	60,000
Total Current Liabilities	<u>85,938</u>	<u>54,266</u>	<u>140,204</u>
Loan Payable, Less Current Portion	916,000	-	916,000
Total Long-Term Liabilities	<u>916,000</u>	<u>-</u>	<u>916,000</u>
Total Liabilities	<u>1,001,938</u>	<u>54,266</u>	<u>1,056,204</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets, net of debt	8,863,429	7,634,713	16,498,142
Restricted	-	19,069	19,069
Unrestricted	349,098	3,105,393	3,454,491
Total Net Position	<u>\$ 9,212,527</u>	<u>\$ 10,759,175</u>	<u>\$ 19,971,702</u>

EXHIBIT B

SCOTIA COMMUNITY SERVICES DISTRICT  
Statement of Activities  
For the Year Ended June 30, 2023

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	Business-Type Activities	Total
<b>Primary Government</b>							
Governmental Activities:							
Streets and Lighting	\$ 30,186	\$ 65,691	-	-	35,505	-	35,505
Storm Drainage	20,671	26,096	-	-	5,425	-	5,425
Parks and Recreation	167,158	157,051	-	-	(10,107)	-	(10,107)
Total Governmental Activities	218,015	248,838	-	-	30,823	-	30,823
Business-Type Activities:							
Water Services	600,344	533,424	-	280,031	-	213,111	213,111
Sewer Services	677,858	784,681	-	155,337	-	262,160	262,160
Total Business-Type Activities	1,278,202	1,318,105	-	435,368	-	475,271	475,271
<b>Total District Activities</b>	<b>\$ 1,496,217</b>	<b>\$ 1,566,943</b>	<b>\$ -</b>	<b>\$ 435,368</b>	<b>30,823</b>	<b>475,271</b>	<b>506,094</b>
General Revenues:							
Interest Income							
Interest Expense					(29,935)	-	(29,935)
Operating Transfers (Note 10)					9,563	(9,563)	-
Total General Revenues and Transfers					(20,372)	(9,563)	(29,935)
Change in Net Position					10,451	465,708	476,159
Net Position - Beginning of Year					9,202,076	10,293,467	19,495,543
Prior Period Adjustment					-	-	-
Rounding					-	-	-
Net Position - End of Year					<b>\$ 9,212,527</b>	<b>\$ 10,759,175</b>	<b>\$ 19,971,702</b>

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The accompanying notes are an integral part of these financial statements

**FUND FINANCIAL STATEMENTS**

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**EXHIBIT C**

**SCOTIA COMMUNITY SERVICES DISTRICT**  
**Balance Sheet of Governmental Funds**  
June 30, 2023

**ASSETS**

Cash and Cash Equivalents	\$ 375,036
Restricted Cash	
Accounts Receivable, Net of Allowance	-
Deposits	-
	<hr/>
Total Assets	<u><u>375,036</u></u>

**LIABILITIES**

Accounts Payable	17,067
Credit Card Payable	1,600
Loan Interest Payable	7,271
	<hr/>
Total Liabilities	<u>25,938</u>

**FUND BALANCE**

Restricted	-
Unassigned	349,098
	<hr/>
Total Fund Balance	<u>349,098</u>
	<hr/>
Total Liabilities and Fund Balance	<u><u>\$ 375,036</u></u>

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**SCOTIA COMMUNITY SERVICES DISTRICT**  
**Statement of Revenues, Expenditures, And Changes in Fund Balances of Governmental Funds**  
 For the Year Ended June 30, 2023

<b>OPERATING REVENUES</b>	
Streets and Lighting	\$ 65,691
Storm Drainage	26,096
Parks and Recreation	157,051
Other Income	<u>-</u>
Total Operating Revenues	<u>248,838</u>
<b>OPERATING EXPENDITURES</b>	
Current Expenditures:	
Services and Supplies	163,764
Capital Expenditures:	
Park Improvements	<u>607,380</u>
Total Operating Expenditures	<u>771,144</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(522,306)</b>
<b>NONOPERATING REVENUES (EXPENDITURES)</b>	
Principal Payments on Debt	(58,000)
Interest Income	-
Interest Expense	<u>(29,935)</u>
Total Nonoperating Revenues (Expenditures)	(87,935)
<b>OTHER FINANCING SOURCES (USES)</b>	
Transfers In (Out)	<u>9,563</u>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(600,678)</b>
<b>FUND BALANCE - Beginning of Year</b>	949,775
Rounding	<u>1</u>
<b>FUND BALANCE - End of Year</b>	<b><u>\$ 349,098</u></b>

**SCOTIA COMMUNITY SERVICES DISTRICT**  
**Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position**  
 June 30, 2023

**Reconciliation:**

Total Fund Balances of Governmental Funds (Exhibit C)	\$ 349,098
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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	9,967,132
Accumulated Depreciation	(176,147)
Loan Costs, Net of Amortization	48,444

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	(976,000)
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Net Position - Governmental Activities (Exhibit A)	<u>\$ 9,212,527</u>
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**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, 2023

**Reconciliation:**

Net Change in Fund Balance - Total Governmental Funds (Exhibit D) \$ (600,678)

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	607,380
Contributed Capital Assets	-
Depreciation Expense	(50,451)
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	58,000
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Change in Net Position - Governmental Activities (Exhibit B) \$ 10,451



**SCOTIA COMMUNITY SERVICES DISTRICT**  
**Statement of Net Position**  
**Proprietary Funds**  
June 30, 2023

	<u>Water Activities</u>	<u>Sewer Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Current Assets			
Cash and Cash Equivalents	\$ 790,309	\$ 2,172,920	\$ 2,963,229
Restricted Cash	9,535	9,534	19,069
Accounts Receivable	52,663	143,767	196,430
Prepaid Insurance	-	-	-
	<hr/>	<hr/>	<hr/>
Total Current Assets	852,507	2,326,221	3,178,728
Construction in Progress	22,719	-	22,719
Total Capital Assets, Net of Accumulated Depreciation	<hr/>	<hr/>	<hr/>
	4,446,242	3,165,752	7,611,994
Total Assets	<hr/>	<hr/>	<hr/>
	5,321,468	5,491,973	10,813,441
<b>LIABILITIES</b>			
Current Liabilities			
Accounts Payable	12,119	21,945	34,064
Customer Deposits	9,751	9,751	19,502
Credit Card Payable	-	23	23
Payroll Liabilities	-	677	677
	<hr/>	<hr/>	<hr/>
Total Current Liabilities	21,870	32,396	54,266
Total Liabilities	<hr/>	<hr/>	<hr/>
	21,870	32,396	54,266
<b>NET POSITION</b>			
Investment in Capital Assets, net of debt	4,468,961	3,165,752	7,634,713
Restricted	9,535	9,534	19,069
Unrestricted	<hr/>	<hr/>	<hr/>
	821,102	2,284,291	3,105,393
Total Net Position	<hr/>	<hr/>	<hr/>
	<u>\$ 5,299,598</u>	<u>\$ 5,459,577</u>	<u>\$ 10,759,175</u>

**SCOTIA COMMUNITY SERVICES DISTRICT**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Funds**  
For the Year Ended June 30, 2023

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<b>OPERATING REVENUES</b>			
Treated Water Sales	\$ 484,966	\$ -	\$ 484,966
Raw Water Sales	45,598	-	45,598
Sewer Charges	-	777,736	777,736
Other Operating Revenue	<u>2,860</u>	<u>6,945</u>	<u>9,805</u>
Total Operating Revenues	<u>533,424</u>	<u>784,681</u>	<u>1,318,105</u>
<b>OPERATING EXPENSES</b>			
Personnel Expenses	57,078	64,159	121,237
Lab Testing and Monitoring	1,982	32,582	34,564
Professional Fees	4,967	8,413	13,380
Other Contract Services	2,340	9,600	11,940
Fees and Permits	5,624	8,208	13,832
Insurance	32,226	28,198	60,424
Operating Supplies	4,147	6,152	10,299
Chemical Supplies	15,753	11,268	27,021
Electrical	141,703	29,605	171,308
Repairs and Maintenance	15,296	111,529	126,825
Log Pond Maintenance	-	923	923
Travel, Training and Meetings	-	356	356
Vehicle Expenses	1,054	1,054	2,108
Utilities and Communications	5,341	4,907	10,248
Administrative Costs Allocation	138,663	121,298	259,961
Depreciation	<u>134,801</u>	<u>88,653</u>	<u>223,454</u>
Total Operating Expenses	<u>560,975</u>	<u>526,905</u>	<u>1,087,880</u>
Operating Income	<u>(27,551)</u>	<u>257,776</u>	<u>230,225</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Contributed Capital Assets	-	-	-
Grant Revenue	280,031	155,337	435,368
Grant Expenditures	(39,369)	(150,953)	(190,322)
Operating Transfer In (Out)	<u>(5,100)</u>	<u>(4,463)</u>	<u>(9,563)</u>
Total Non-Operating Revenues (Expenses)	235,562	(79)	235,483
Net Income	208,011	257,697	465,708
<b>NET POSITION</b>			
Beginning of Year	5,091,587	5,201,880	10,293,467
Rounding	-	-	-
End of Year	<u>5,299,598</u>	<u>5,459,577</u>	<u>10,759,175</u>

## SCOTIA COMMUNITY SERVICES DISTRICT

## Statement of Cash Flows

## Proprietary Funds

For the Year Ended June 30, 2023

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash Received from Customers and Users	\$ 550,936	\$ 745,395	\$ 1,296,331
Cash Paid for Goods and Services	(368,872)	(355,794)	(724,666)
Cash Paid for Contract Employees	(57,078)	(74,035)	(131,113)
Net Cash Provided by Operating Activities	<u>124,986</u>	<u>315,566</u>	<u>440,552</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>			
Non Operating Grant Proceeds	280,031	155,337	435,368
Change in Deferred Revenue	(300,000)	-	(300,000)
Grant Expenditures	(39,369)	(150,953)	(190,322)
Transfers to Other Funds	(5,100)	(4,463)	(9,563)
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>(64,438)</u>	<u>(79)</u>	<u>(64,517)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition of Capital Assets	-	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>-</u>	<u>-</u>	<u>-</u>
Net Increase in Cash and Cash Equivalents	60,548	315,487	376,035
Cash and Cash Equivalents - Beginning of Year	<u>739,296</u>	<u>1,866,967</u>	<u>2,606,263</u>
Cash and Cash Equivalents - End of Year	<u>\$ 799,844</u>	<u>\$ 2,182,454</u>	<u>\$ 2,982,298</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, 2023

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>			
Operating Income	\$ (27,551)	\$ 257,776	\$ 230,225
Adjustment to Reconcile Operating Income to Net Cash Provided By Operating Activities:			
Depreciation	134,800	88,653	223,453
(Increase) Decrease in:			
Accounts Receivable	17,512	(39,286)	(21,774)
Prepaid Expenses	-	-	-
Increase (Decrease) in:			
Accounts Payable	(1,075)	18,299	17,224
Accrued Liabilities	-	(11,846)	(11,846)
Accrued Payroll	-	670	670
Customer Deposits	1,300	1,300	2,600
Total Adjustments	<u>152,537</u>	<u>57,790</u>	<u>210,327</u>
Net Cash Provided by Operating Activities	<u>\$ 124,986</u>	<u>\$ 315,566</u>	<u>\$ 440,552</u>

**NOTES TO FINANCIAL STATEMENTS**

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**SCOTIA COMMUNITY SERVICES DISTRICT**  
**Notes to Financial Statements**  
June 30, 2023

**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, 2023

**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, 2023

**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, 2023

**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, 2023

**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, 2023, the District made inter-fund transfers as detailed at Note 10.

**NOTE 2 — CASH AND INVESTMENTS**

Cash and investments as of June 30, 2023, are classified as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Cash and Investments	\$ 375,036	\$ 2,963,229	\$ 3,338,265
Cash - Restricted	-	19,069	19,069
	<u>\$ 375,036</u>	<u>\$ 2,982,298</u>	<u>\$ 3,357,334</u>

**SCOTIA COMMUNITY SERVICES DISTRICT**  
**Notes to Financial Statements**  
 June 30, 2023

**NOTE 3 — CAPITAL ASSETS**

Depreciation expense was charged to various functions at June 30, 2023, as follows:

Governmental Activities:	
Parks and Recreation	\$ 50,451
Business-type Activities:	
Water Fund	\$ 134,801
Wastewater Fund	88,652
Total Business-type Activities	<u>\$ 223,453</u>
 Total Depreciation Expense	 <u>\$ 273,904</u>

The following is a summary of capital assets for the year ended June 30, 2023:

	June 30, 2023				
	Beginning Balance	Additions	Deletions	Contributed Assets	Ending Balance
<b>GOVERNMENTAL</b>					
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	4,227	-	-	-	4,227
Museum Building	95,020	-	-	-	95,020
Museum Improvements	45,435	225,845	-	-	271,280
Park Gate Automatic	14,151	-	-	-	14,151
Theatre	285,399	-	-	-	285,399
Winema Theatre Improvements	-	30,322	-	-	30,322
Carpenter Shop	299,932	-	-	-	299,932
Vehicles	11,556	7,282	-	-	18,838
Park & Ball Fields Improvements	55,918	60,001	-	-	115,919
Soccer Field Improvements	25,055	-	-	-	25,055
Equipment	8,884	283,930	-	-	292,814
Phase 3 Contribution	455,510	-	-	-	455,510
Total Other Capital Assets	<u>1,541,452</u>	<u>607,380</u>	<u>-</u>	<u>-</u>	<u>2,148,832</u>
Less: Accumulated Depreciation	<u>(125,696)</u>	<u>(50,451)</u>	<u>-</u>	<u>-</u>	<u>(176,147)</u>
Capital Assets, Net	<u>\$ 9,234,056</u>	<u>\$ 556,929</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,790,985</u>

**SCOTIA COMMUNITY SERVICES DISTRICT**  
**Notes to Financial Statements**  
June 30, 2023

**NOTE 3 — CAPITAL ASSETS (Continued)**

	June 30, 2023				
	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
Vehicles	34,667	-	-	-	34,667
Equipment	6,526	-	-	-	6,526
CIP (Corridor Phase) Equipment	10,000	-	-	-	10,000
Phase 3 Contribution	728,422	-	-	-	728,422
Total Other Capital Assets	<u>5,157,981</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,157,981</u>
Less: Accumulated Depreciation	<u>(576,939)</u>	<u>(134,801)</u>	<u>-</u>	<u>-</u>	<u>(711,740)</u>
Capital Assets, Net	<u><b>\$ 4,581,042</b></u>	<u><b>\$ (134,801)</b></u>	<u><b>\$ -</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 4,446,241</b></u>
<u>SEWER</u>					
June 30, 2023					
	Beginning Balance	Additions	Deletions	Contributed Assets	Ending Balance
Capital Assets Not Being Depreciated					
Land (Log Pond)	\$ 483,642	\$ -	\$ -	\$ -	\$ 483,642
Total Capital Assets, Not Being Depreciated	<u>483,642</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>483,642</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	46,722	-	-	-	46,722
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
Equipment	14,382	-	-	-	14,382
Primary Clarifier	192,144	-	-	-	192,144
Phase 3 Contribution	914,445	-	-	-	914,445
Total Other Capital Assets	<u>3,050,003</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,050,003</u>
Less: Accumulated Depreciation	<u>(279,241)</u>	<u>(88,652)</u>	<u>-</u>	<u>-</u>	<u>(367,893)</u>
Capital Assets, Net	<u><b>\$ 3,254,404</b></u>	<u><b>\$ (88,652)</b></u>	<u><b>\$ -</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 3,165,752</b></u>

**SCOTIA COMMUNITY SERVICES DISTRICT**  
**Notes to Financial Statements**  
 June 30, 2023

**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 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>
2024	60,000	28,638	88,638
2025	62,000	26,835	88,835
2026	63,000	24,987	87,987
2027	65,000	23,095	88,095
2028	67,000	21,143	88,143
2029-2033	366,000	74,336	440,336
2034-2036	293,000	17,761	310,761
<b>Total</b>	<b>\$ 976,000</b>	<b>\$ 216,795</b>	<b>\$ 1,192,795</b>

**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 2023 was \$6,655.

**SCOTIA COMMUNITY SERVICES DISTRICT**  
**Notes to Financial Statements**  
 June 30, 2023

**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, 2023 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 A liability	\$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, 2023, uninsured cash balances were \$1,679,357.

**SCOTIA COMMUNITY SERVICES DISTRICT**  
**Notes to Financial Statements**  
 June 30, 2023

**NOTE 8 — SUBSEQUENT EVENTS**

Management has evaluated subsequent events through November 14, 2023, 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 was completed in 2022, with the Town of Scotia, LLC transferring infrastructure valued at \$2,098,376 to the District.

The Town of Scotia, LLC transferred the Utility Corridor Infrastructure and River Pumps on August 17, 2023. The contribution value calculated by the project engineer amounts to \$2,198,808.

The District and State Water Resources Control Board signed an agreement D2101027 on October 26, 2022 for the Scotia Wastewater Treatment Facility replacement project C-06-8467-110. The estimated project funding amount is \$537,000 which covers geotechnical and environmental studies, and preliminary engineering reports to develop environmental documents to enable the District to address deficiencies in the wastewater treatment facility. This planning and design project is from June 30, 2023 through March 31, 2024.

The District and State Water Resources Control Board signed an agreement D2202061 on August 23, 2023 for the Scotia Water Treatment Facility replacement. This project 1210010-001P is to evaluate the water system needs including replacing the one-million-gallon raw water storage tank and 488,740 gallon treated water storage tank. This project is estimated to start January 2025, and continue through June 2026. Principal forgiveness for this Drinking Water Planning Loan is \$1,133,000.

**NOTE 9 — OPERATING TRANSFERS**

During the year ended June 30, 2023, 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	4,341
Debt Service Payments - Principal	<u>8,410</u>
 Total Allocable Expenditures	 \$ 12,751
 Allocated to Water Fund - 40%	 \$ 5,100
Allocated to Sewer Fund - 35%	<u>4,463</u>
 Total Interfund Transfers	 <u><u>\$ 9,563</u></u>

**REQUIRED SUPPLEMENTARY INFORMATION**

DRAFT



**SCOTIA COMMUNITY SERVICE DISTRICT**  
**Budgetary Comparison Schedule**  
**Budget and Actual - Governmental Funds**  
**For the Year Ended June 30, 2023**

Exhibit K

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Rental Income	\$ 1,000	\$ 1,000	\$ 196	\$ (804)
Benefit Assessments	282,600	273,150	256,099	(17,051)
Interest Income	6,000	1,000	537	(463)
Late fees	10,000	(9,000)	(8,232)	768
Miscellaneous	1,700	625	238	(387)
<b>Total Revenues</b>	<u>301,300</u>	<u>266,775</u>	<u>248,838</u>	<u>(17,937)</u>
<b>EXPENDITURES</b>				
Current Expenditures:				
General and Administrative				
Legal	3,000	3,000	-	3,000
Auditor	2,100	2,100	-	2,100
Board Stipend	420	420	-	420
Bookkeeping	360	360	-	360
IT Services	60	60	-	60
Engineering	1,700	1,700	-	1,700
Personnel Staff & Benefits	41,551	43,500	26,604	16,896
Allocated Admin Costs	27,081	27,325	79,886	(52,561)
Materials and Services				
Permits, Licenses, Dues, Publications	1,500	2,500	2,372	128
General Supplies, Lab, Monitoring	2,000	2,000	1,350	650
Utilities- Communications	3,500	5,500	4,655	845
General Maintenance & Repairs	7,000	7,000	3,584	3,416
Liability Insurance	20,150	20,150	20,189	(39)
Electrical	20,000	23,000	19,875	3,125
Contracted Maintenance Services	8,500	8,500	3,925	4,575
Travel, Training, Meetings	-	-	-	-
Other	500	-	1,323	(1,323)
Office Supplies	-	-	-	-
<b>Total Current Expenditures</b>	<u>139,422</u>	<u>147,115</u>	<u>163,763</u>	<u>(16,648)</u>
Other Expenditures				
Annual Debt Service	30,381	30,381	29,935	446
Note Payable Principal	58,000	58,000	58,000	-
Transfer to Reserve Fund	-	-	-	-
Transfer to Equipment Replacement	-	-	-	-
<b>Total Other Expenditures</b>	<u>88,381</u>	<u>88,381</u>	<u>87,935</u>	<u>446</u>
Non-Current Expenditures:				
Capital Outlay	604,000	600,000	607,380	(7,380)
<b>Total Expenditures</b>	<u>831,803</u>	<u>835,496</u>	<u>859,078</u>	<u>(23,582)</u>
Excess (Deficiency) of Revenues Over Expenditures	(530,503)	(568,721)	(610,240)	(41,519)
Operating Transfers	-	-	9,563	9,563
Excess (Deficiency) of Revenue and Other Transfers Over (Under) Expenditures	-	<u>\$ (568,721)</u>	<u>(600,677)</u>	<u>\$ (31,956)</u>
<b>FUND BALANCE - Beginning</b>	-	-	949,775	-
<b>PRIOR PERIOD ADJUSTMENT</b>	-	-	-	-
<b>FUND BALANCE - Ending</b>	-	-	<u>\$ 349,098</u>	-