NORTHSHORE FIRE PROTECTION DISTRICT,
CALIFORNIA

FINANCIAL STATEMENTS
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED
JUNE 30, 2023

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NORTHSHORE FIRE PROTECTION DISTRICT
Annual Financial Report
For the Year Ended June 30, 2023

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INTRODUCTORY SECTION

- **List of Officials**

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NORTHSHORE FIRE PROTECTION DISTRICT
List of Officials
For the Year Ended June 30, 2023

Board of Directors

Lynn Ringuette	Chairman
James Burton	Vice-Chair
Rebecca Schwenger	Member
John Barnette	Member
Shannon Stilwell	Member

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FINANCIAL SECTION

- **Independent Auditor's Report**
- **Basic Financial Statements**
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Northshore Fire Protection District
Lucerne, California

Opinions

We have audited the accompanying modified cash basis financial statements of the governmental activities and each major fund of Northshore Fire Protection District, California (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 modified cash basis financial position of the governmental activities and each major fund of the District as of June 30, 2023, and the respective changes in modified cash basis financial position thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1C.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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.

Emphasis of Matter – Basis of Accounting

We draw attention to Note 1C of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting described in Note 1C, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

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To the Board of Directors
Northshore Fire Protection District
Lucerne, California

Auditor's 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 auditor's 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 judgment 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 the 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.

To the Board of Directors
Northshore Fire Protection District
Lucerne, California

Other Matters

Supplementary and Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The District Pension Plan information and budgetary comparison information are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole, on the basis of accounting described in Note 1C.

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 26, 2024, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreemenets and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

Smith & Newell CPAs
Yuba City, California
January 26, 2024

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Basic Financial Statements

- **Government-Wide Financial Statements**

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NORTHSHORE FIRE PROTECTION DISTRICT
Modified Cash Basis Statement of Net Position
June 30, 2023

	Total Governmental Activities
ASSETS	
Cash and investments	$ 4,393,584
Restricted cash and investments	121,825
Capital assets:	
Non-depreciable	622,487
Depreciable, net	2,937,313
Total capital assets	3,559,800
Total Assets	8,075,209
DEFERRED OUTFLOWS OF RESOURCES	
Deferred pension adjustments	1,561,096
Total Deferred Outflows of Resources	1,561,096
LIABILITIES	
Long-term liabilities:	
Due within one year	177,185
Due in more than one year	303,619
Net pension liability	2,993,411
Total Liabilities	3,474,215
DEFERRED INFLOWS OF RESOURCES	
Deferred pension adjustments	266,253
Total Deferred Inflows of Resources	266,253
NET POSITION	
Net investment in capital assets	3,416,128
Restricted for capital projects	251,730
Restricted for net pension liability	121,825
Unrestricted	2,106,154
Total Net Position	$ 5,895,837

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

NORTHSHORE FIRE PROTECTION DISTRICT
Modified Cash Basis Statement of Activities
For the Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Total Governmental Activities
Governmental activities:					
Public protection	$ 5,476,151	$ 3,802,257	$ 254,513	$ -	$ (1,419,381)
Interest on long-term debt	5,216	-	-	-	(5,216)
Total Governmental Activities	5,481,367	3,802,257	254,513	-	(1,424,597)
Total	$ 5,481,367	$ 3,802,257	$ 254,513	$ -	(1,424,597)
General revenues:					
Taxes:					
Property taxes					1,204,894
Interest and investment earnings					52,415
Gain (loss) on disposal of assets					(7,900)
Miscellaneous					236,916
Total General Revenues					1,486,325
Change in Net Position					61,728
Net Position - Beginning					5,643,062
Prior period adjustment					191,047
Net Position - Beginning, Restated					5,834,109
Net Position - Ending					$ 5,895,837

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

Basic Financial Statements

- **Fund Financial Statements**

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NORTHSHORE FIRE PROTECTION DISTRICT
Modified Cash Basis Balance Sheet
Governmental Funds
June 30, 2023

	General Fund	Mitigation Fees	Totals
ASSETS			
Cash and investments	$ 4,141,854	$ 251,730	$ 4,393,584
Restricted cash and investments	121,825	-	121,825
Total Assets	$ 4,263,679	$ 251,730	$ 4,515,409
LIABILITIES			
Accounts payable	$ -	$ -	$ -
Total Liabilities	-	-	-
FUND BALANCES			
Restricted	121,825	251,730	373,555
Committed	50,400	-	50,400
Assigned	3,419,346	-	3,419,346
Unassigned	672,108	-	672,108
Total Fund Balances	4,263,679	251,730	4,515,409
Total Liabilities and Fund Balances	$ 4,263,679	$ 251,730	$ 4,515,409

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

NORTHSHORE FIRE PROTECTION DISTRICT
Reconciliation of the Governmental Funds Modified Cash Basis Balance Sheet to the Government-Wide Modified Cash Basis Statement of Net Position - Governmental Activities
June 30, 2023

Total Fund Balance - Total Governmental Funds	$ 4,515,409
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet.	3,559,800
Deferred outflows of resources related to pensions are not reported in the governmental funds.	1,561,096
Deferred inflows of resources related to pensions are not reported in the governmental funds.	(266,253)
Certain liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.	
Capital leases payable	(143,672)
Compensated absences	(337,132)
Net pension liability	(2,993,411)
Net Position of Governmental Activities	$ 5,895,837

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

NORTHSHORE FIRE PROTECTION DISTRICT
Modified Cash Basis Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2023

	General Fund	Mitigation Fees	Totals
REVENUES			
Taxes and assessments	$ 1,204,894	$ -	$ 1,204,894
Licenses and permits	10,039	-	10,039
Fines and forfeitures	237	-	237
Use of money and property	49,705	2,710	52,415
Intergovernmental revenues	254,513	-	254,513
Charges for services	3,747,782	44,199	3,791,981
Other revenues	236,916	-	236,916
Total Revenues	5,504,086	46,909	5,550,995
EXPENDITURES			
Current public protection:			
Salaries and benefits	3,005,431	-	3,005,431
Services and supplies	2,139,033	-	2,139,033
Debt service:			
Principal	22,245	-	22,245
Interest and other charges	5,216	-	5,216
Capital outlay	409,214	-	409,214
Total Expenditures	5,581,139	-	5,581,139
Excess of Revenues Over (Under) Expenditures	(77,053)	46,909	(30,144)
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of capital assets	5,850	-	5,850
Transfers in	36,900	-	36,900
Transfers out	-	(36,900)	(36,900)
Total Other Financing Sources (Uses)	42,750	(36,900)	5,850
Net Change in Fund Balances	(34,303)	10,009	(24,294)
Fund Balances - Beginning	4,297,982	241,721	4,539,703
Fund Balances - Ending	$ 4,263,679	$ 251,730	$ 4,515,409

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

NORTHSHORE FIRE PROTECTION DISTRICT
Reconciliation of the Modified Cash Basis Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Government-Wide Modified Cash Basis Statement of Activities - Governmental Activities
For the Year Ended June 30, 2023

Net Change in Fund Balances - Total Governmental Funds	$ (24,294)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Expenditures for capital outlay	409,214
Less current year depreciation	(239,965)
Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the net cost of the capital assets disposed. Proceeds from the sale of capital assets was $5,850.	(13,750)
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Principal retirements	22,245
Certain changes in deferred outflows and deferred inflows of resources reported in the Statement of Activities relate to long-term liabilities and are not reported in the governmental funds.	
Change in deferred outflows of resources related to pensions	916,765
Change in deferred inflows of resources related to pensions	624,547
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	
Change in compensated absences	(76,202)
Change in net pension liability	(1,556,832)
Change in Net Position of Governmental Activities	$ 61,728

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

Basic Financial Statements

- **Notes to Basic Financial Statements**

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Northshore Fire Protection District was formed on November 8, 2006 as the Northshore Fire Protection District (the District) under provisions of the California Public Resource Code by combining the Upper Lake, Nice, Lucerne, and Clearlake Oaks Fire Protection Districts. The District currently provides fire protection, weed abatement, emergency response, and ambulance services to the Northshore communities of Lake County, encompassing an area of approximately 357 square miles and services an estimated population of 12,000.

Component Units

Generally accepted accounting principles require government financial statements to include the primary government and its component units. Component units of a governmental entity are legally separate entities for which the primary government is considered to be financially accountable and for which the nature and significance of their relationship with the primary government are such that exclusion would cause the combined financial statements to be misleading. The primary government is considered to be financially accountable if it appoints a majority of an organization's governing body and is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the primary government.

Based on the application of the criteria set forth by the Governmental Accounting Standards Board, management has determined that there are no component units of the District.

Joint Agencies

The District is a member of the Golden State Risk Management Authority (GSRMA). GSRMA is a joint powers authority organized for the purpose of providing services and other functions necessary and appropriate for the creation, operation, and maintenance of liability, workers' compensation, property and other risk pooling and coverage plans for its members. GSRMA began operations on July 1, 1979, and has continued without interruption since that time. GSRMA is composed of member agencies consisting of cemetery districts, cities, counties, fire districts, school districts and special districts and is governed by a board of directors appointed by the members. Complete audited financial statements can be obtained from GSRMA's office at P.O. Box 706, Willows, CA 95988. The District is not financially accountable for this organization and therefore it is not a component unit under Statement Nos. 14, 39 and 61 of the Governmental Accounting Standards Board.

B. Basis of Presentation

Government-Wide Financial Statements

The Statement of Net Position and Statement of Activities display information on all of the activities of the District. These statements include the financial activities of the overall District. Eliminations have been made to minimize the double counting of internal activities. These statements report the governmental activities of the District, which are normally supported by taxes, intergovernmental revenues and charges for services. The District had no business-type activities at June 30, 2023.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis Presentation (Continued)

Government-Wide Financial Statements (Continued)

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and therefore, are clearly identifiable to a particular function. Program revenues include 1) charges paid by the recipients of goods and services offered by the program, 2) operating grants and contributions, and 3) capital grants and contributions. Taxes and other items not properly included among program revenues are presented instead as general revenues.

Fund Financial Statements

Fund financial statements of the District are organized into two funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures. The funds of the District are organized into the governmental category. The emphasis is placed on major funds within the governmental category.

The District reports the following major governmental funds:

- The General fund is used to account for all revenues and expenditures necessary to carry out basic governmental activities of the District.

- The Mitigation Fees fund is a special revenue fund used to account for revenues and expenditures related to mitigation fees. Funding comes primarily from mitigation fees collected and interest earnings.

C. Basis of Accounting and Measurement Focus

The government-wide financial statements are reported using the economic resources measurement focus and the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. This basis of presentation differs from accounting principles generally accepted in the United States of America (GAAP) in that certain revenues are recognized when received rather than when earned and certain expenses are recognized when paid rather than when the obligation is incurred. Such variances are presumed to be material. However, similar to financial statements prepared in accordance with GAAP, these financial statements reflect the capitalized cost of equipment and related depreciation, and long-term debt.

Governmental funds are reported using the current financial resources measurement focus, within the limitations of the modified cash basis of accounting. In the governmental funds, general capital asset acquisitions are reported as expenditures and proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Non-Current Governmental Assets/Liabilities

Non-current governmental assets and liabilities, such as capital assets and long-term liabilities, are reported in the governmental activities column in the government-wide Statement of Net Position.

E. Cash and Investments

The District pools all cash and investments, other than cash in checking accounts and amounts held in a restricted mutual fund, with the County of Lake. The Lake County Treasury is an external investment pool for the District and the District is considered an involuntary participant. The District's share in this pool is displayed in the accompanying financial statements as cash and investments.

Participant's equity in the investment pool is determined by the dollar amount of participant deposits, adjusted for withdrawals and distributed investment income. Investment income is determined on an amortized cost basis. Interest payments, accrued interest, accreted discounts, amortized premiums and realized gains and losses, net of administrative fees, are apportioned to pool participants every quarter. This method differs from the fair value method used to value investments in these financial statements as unrealized gains and losses are not apportioned to pool participants. During the fiscal year ended June 30, 2023, the County had not entered into any legally binding guarantees to support the value of participant equity in the investment pool.

F. Restricted Cash and Investments

Restricted assets in the General Fund represents cash and investments held for the Length of Service Awards Program. The cash balance at June 30, 2023 is $121,825.

G. Inventory

Inventories are recorded as expenditures at the time the inventory is purchased rather than when consumed. Records are not maintained of inventory and supplies on hand, although these amounts are not considered material.

H. Capital Assets

Capital assets, including public domain infrastructure, are defined by the District as assets with a cost of more than $10,000. Capital assets are recorded at historical or estimated historical cost if actual historical cost is unavailable. Contributed capital assets are recorded at their acquisition value at the date of donation.

Capital assets used in operations are depreciated or amortized using the straight-line method over the assets' estimated useful lives in the government-wide financial statements. The range of estimated useful lives by type of asset is as follows:

Depreciable Asset	Estimated Lives
Equipment	3 to 30 years
Buildings and improvements	30 to 40 years

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Capital Assets (Continued)

Maintenance and repairs are charged to operations when incurred. Betterments and major improvements which significantly increase values, change capacities or extend useful lives are capitalized. Upon sale or retirement of capital assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operations.

I. Property Tax

Lake County is responsible for the collection and allocation of property taxes. Under California law, property taxes are assessed and collected by the County of Lake up to 1 percent of the full cash value of taxable property, plus other increases approved by the voter and distributed in accordance with statutory formulas.

The valuation/lien date for all taxes is January 1. Secured property tax is due in two installments, the first is due November 1 and delinquent with penalties after December 10; the second is due February 1 and delinquent with penalties after April 10. Unsecured property tax is due on March 1 and becomes delinquent if unpaid on August 31.

The County uses the alternative method of property tax apportionment known as the "Teeter Plan". Under this method of property tax apportionment, the County remits the entire amount levied and handles all delinquencies, retaining interest and penalties.

J. Interfund Transactions

Interfund transactions are reflected as either loans, services provided or used, reimbursements or transfers.

Loans reported as receivables and payables are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans) as appropriate and are subject to elimination upon consolidation. Advances between funds, as reported in the fund financial statements, are offset by a nonspendable fund balance account in applicable governmental funds to indicate that they are not in spendable form.

Services provided or used, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. These services provide information on the net cost of each government function and therefore are not eliminated in the process of preparing the government-wide Statement of Activities.

Reimbursements occur when the funds responsible for particular expenditures or expenses repay the funds that initially paid for them. Such reimbursements are reflected as expenditures in the reimbursing fund and reductions to expenditures in the reimbursed fund.

All other interfund transactions are treated as transfers. Transfers between funds are netted as part of the reconciliation to the government-wide presentation.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Compensated Absences

The District has adopted the requirements for recording compensated absences as outlined in GASB Statement No. 16. The District's policy regarding compensated absences is to permit employees to accumulate earned but unused vacation leave. In the government-wide financial statements the accrued compensated absences is recorded as an expense and related liability, with the current portion estimated based on historical trends. In the governmental fund financial statements, the expenditures and liabilities related to those obligations are recognized only when they mature. The District includes its share of medicare taxes payable on behalf of the employees in the accrual for compensated absences.

L. 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) plan (Plan) 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.

Generally accepted accounting principles required that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Measurement Period	July 1, 2021 to June 30, 2022

M. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report 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 and so will not be recognized as an outflow of resources (expenditure/expense) until then. The District has one item that qualifies for reporting in this category. This item relates to the outflows from changes in the net pension liability and is reportable on the Statement of Net Position.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. This item relates to the inflows from changes in the net pension liability and is reportable on the Statement of Net Position.

N. Estimates

The preparation of basic financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Implementation of Governmental Accounting Standards Board (GASB) Statements

The following Governmental Accounting Standards Board (GASB) Statements have been implemented, if applicable, in the current financial statements.

Statement No. 91, Conduit Debt Obligations. This statement improves the comparability of financial reporting for issuers by eliminating the option to recognize a liability for a conduit debt obligation.

Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements. This statement will improve financial reporting by establishing the definitions of PPPs and APAs and providing uniform guidance on accounting and financial reporting for transactions that meet those definitions.

Statement No. 96, Subscription-Based Information Technology Arrangements. This statement will improve financial reporting by establishing a definition for SBITAs and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. The definition and uniform guidance will result in greater consistency in practice.

Statement No. 99, Omnibus 2022. This statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. Consistent authoritative literature enables governments and other stakeholders to more easily locate and apply the correct accounting and financial reporting provisions, which improves the consistency with which such provisions are applied. The comparability of financial statements also will improve as a result of this Statement. Better consistency and comparability improve the usefulness of information for users of state and local government financial statements.

P. Future Accounting Pronouncements

The following GASB Statements will be implemented, if applicable, in future financial statements:

Statement No. 99 "Omnibus 2022" The requirements of this statement related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023. (FY 23/24)

Statement No. 100 "Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62" The requirements of this statement are effective for fiscal years beginning after June 15, 2023. (FY 23/24)

Statement No. 101 "Compensated Absences" The requirements of this statement are effective for fiscal years beginning after December 15, 2023. (FY 24/25)

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Restatement of Net Position

Adjustments resulting from errors or a change to comply with provisions of the accounting standards are treated as adjustments to prior periods. Accordingly, the District reports these changes as restatements of beginning net position. During the current year the District reported a prior period adjustment to correct a prior year understatement of capital assets.

The impact of the restatement on the net position of the government-wide financial statements as previously reported is presented below:

	Governmental Activities
Net Position, June 30, 2022 as previously reported	$ 5,643,062
Adjustment associated with:	
Correction of prior year understatement of capital assets	191,047
Total Adjustments	191,047
Net Position, July 1, 2022 as restated	$ 5,834,109

NOTE 3: CASH AND INVESTMENTS

A. Financial Statement Presentation

As of June 30, 2023, the District's cash and investments consisted of the following:

Cash:	
Deposits (less outstanding checks)	$ 144,213
Total Cash	144,213
Investments:	
Mutual Funds	121,825
Lake County Treasurer's Pool	4,249,371
Total Investments	4,371,196
Total Cash and Investments	$ 4,515,409

B. Cash

At year end, the carrying amount of the District's cash deposits (including amounts in checking accounts) was $144,213 and the bank balance was $204,115. The difference between the bank balance and the carrying amount represents outstanding checks and deposits in transit.

Custodial Credit Risk for Deposits - Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover its deposits or collateral securities that are in the possession of an outside party. The District complies with the requirements of the California Government Code. Under this code, deposits of more than $250,000 must be collateralized at 105 percent to 150 percent of the value of the deposit to guarantee the safety of the public funds.

NOTE 3: CASH AND INVESTMENTS (CONTINUED)

C. Investments

The District does not have a formal investment policy. At June 30, 2023, all investments of the District, except the mutual funds held with Mass Mutual, were in the County of Lake investment pool. Under the provisions of the County's investment policy and the California Government Code, the County may invest or deposit in the following.

- Bankers' Acceptances
- Commercial Paper
- Local Agency Investment Fund (LAIF)
- Mutual Funds
- Medium-Term Corporate Notes
- Negotiable Certificates of Deposit
- Repurchase Agreements
- Securities of the Federal government or its agencies
- State of California Obligations
- Local Agency Bonds
- Treasury Obligations
- Obligations of California Local Agencies

Fair Value of Investments - The District measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy as follows:

Level 1: Quoted prices for identical investments in active markets;
Level 2: Observable inputs other than quoted market prices; and,
Level 3: Unobservable inputs

The District's position in external investment pools is in itself regarded as a type of investment and looking through to the underlying investments of the pool is not appropriate. Therefore, the District's investment in external investment pools is not recognized in the three-tiered fair value hierarchy described above.

At June 30, 2023, the District had the following recurring fair value measurements:

		Fair Value Measurements Using		
Investment Type	Fair Value	Level 1	Level 2	Level 3
Investments by Fair Value Level				
Mutual Funds	$ 121,825	$ 121,825	$ -	$ -
Total Investments Measured at Fair Value	121,825	$ 121,825	$ -	$ -
Investments in External Investment Pool				
Lake County Treasurer's Pool	4,249,371			
Total Investments	$ 4,371,196			

NOTE 3: CASH AND INVESTMENTS (CONTINUED)

C. Investments (Continued)

Interest Rate Risk - Interest rate risk is the risk of loss due to the fair value of an investment falling due to interest rates rising. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. To limit exposure to fair value losses resulting from increases in interest rates, the County's investment policy limits investment maturities to a term appropriate to the need for funds so as to permit the County to meet all projected obligations.

As of June 30, 2023, the District had the following investments, all of which had a maturity of 5 years or less:

Investment Type	Interest Rates	Maturities 0-1 year	Maturities 1-5 years	Fair Value	Weighted Average Maturity (Years)
Mutual Funds	Variable	$ 121,825	$ -	$ 121,825	-
Lake County Treasurer's Pool	Variable	4,249,371	-	4,249,371	-
Total Investments		$ 4,371,196	$ -	$ 4,371,196	-

Credit Risk - Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The County's investment policy sets specific parameters by type of investment to be met at the time of purchase. Presented below is the minimum rating required by (where applicable) the California Government Code or the District's investment policy and the actual rating as of year-end for each investment type.

Investment Type	Minimum Legal Rating	Standard & Poor's Rating	Moody's Rating	% of Portfolio
Mutual Funds	N/A	N/A	N/A	2.79%
Lake County Treasurer's Pool	N/A	Unrated	Unrated	97.21%
Total				100.00%

Custodial Credit Risk - Custodial credit risk for investments is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover its deposits or collateral securities that are in the possession of an outside party. Custodial credit risk does not apply to a local government's indirect investments in securities through the use of mutual funds or government investment pools.

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer of securities. When investments are concentrated in one issuer, this concentration presents a heightened risk of potential loss. State law and the investment policy of the County contain limitations on the amount that can be invested in any one issuer. All investments of the District are in mutual funds and the Lake County investment pool which contains a diversification of investments.

NOTE 3: CASH AND INVESTMENTS (CONTINUED)

D. Investments in External Pool

The Lake County Pooled Investment Fund is a pooled investment fund program governed by the County which monitors and reviews the management of public funds maintained in the investment pool in accordance with the County investment policy and the California Government Code. The Board of Supervisors review and approve the investment policy annually. The County Treasurer prepares and submits a comprehensive investment report to the Board of Supervisors every month. The report covers the type of investments in the pool, maturity dates, par value, actual cost and fair value. Investments in the Lake County Pooled Investment fund are regarded as highly liquid as deposits and withdrawals can be made at any time without penalty. The Pool does not impose a maximum investment limit. Required disclosure information regarding categorization of investments and other deposit and investment risk disclosures can be found in the County's financial statements. The County of Lake's financial statements may be obtained by contacting the County of Lake Auditor-Controller's office at 255 North Forbes Street, Lakeport, CA 95453.

NOTE 4: LEASES RECEIVABLE

On February 1, 2021, the District entered into an agreement with Celleo Partnership dba Verizon Wireless to lease land on 6257 7th Avenue, Lucerne, to the lessee. The annual rent is $14,400 ($1,200 per month). The lease calls for an initial term of five years, including an option for automatically extending for four additional terms of five years, increasing 10% upon commencement of each additional extension term.

The lease receivable is measured at the present value of the future minimum rent payments expected to be received during the lease term at an incremental borrowing rate of 1.50%.

In fiscal year 2022/2023, the District recognized $8,023 of lease revenue and $5,177 of interest revenue under the leases, which is included in use of money on the Statement of Revenue, Expenditures, and Changes in Fund Balance – Governmental Funds.

The cost of the leased space is included in the land category in Note 4. The amount of cost attributable to only the leased space is not determinable and therefore not disclosed here.

The future minimum lease payments are due as follows:

Year Ended June 30	Payments: Principal	Payments: Interest	Payments: Total
2024	$ 9,361	$ 5,039	$ 14,400
2025	9,502	4,898	14,400
2026	10,247	4,753	15,000
2027	11,251	4,589	15,840
2028	11,421	4,419	15,840
2029-2033	63,638	19,390	83,028
2034-2038	77,201	14,130	91,331
2039-2043	92,514	7,791	100,305
2044-2046	55,078	1,143	56,221
Total	$ 340,213	$ 66,152	$ 406,365

NOTE 5: CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2023, was as follows:

	Balance July 1, 2022	Additions	Retirements	Adjustments	Balance June 30, 2023
Capital Assets, Not Being Depreciated					
Land	$ 340,789	$ -	$ -	$ 2,500	$ 343,289
Construction in progress	-	94,168	-	185,030	279,198
Total Capital Assets, Not Being Depreciated	340,789	94,168	-	187,530	622,487
Capital Assets, Being Depreciated					
Buildings and improvements	1,266,502	26,533	(47,500)	(2,500)	1,243,035
Equipment	4,681,805	288,513	(35,000)	-	4,935,318
Total Capital Assets, Being Depreciated	5,948,307	315,046	(82,500)	(2,500)	6,178,353
Less Accumulated Depreciation For:					
Buildings and improvements	(936,109)	(28,704)	33,750	-	(931,063)
Equipment	(2,139,733)	(211,261)	35,000	6,017	(2,309,977)
Total Accumulated Depreciation	(3,075,842)	(239,965)	68,750	6,017	(3,241,040)
Total Capital Assets, Being Depreciated, Net	2,872,465	75,081	(13,750)	3,517	2,937,313
Total Capital Assets, Net	$ 3,213,254	$ 169,249	($ 13,750)	$ 191,047	$ 3,559,800

Depreciation

Depreciation expense was charged to governmental functions as follows:

Public Protection	$ 239,965
Total Depreciation Expense	$ 239,965

NOTE 6: INTERFUND TRANSACTIONS

Transfers

Transfers are indicative of funding for capital projects, lease payments or debt service, and re-allocations of special revenues. The following are the interfund transfer balances as of June 30, 2023:

	Transfers In	Transfers Out
General Fund	$ 36,900	$ -
Mitigation Fees	-	36,900
Total	$ 36,900	$ 36,900

NOTE 7: LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2023:

Type of Indebtedness	Balance July 1, 2022	Additions	Retirements	Balance June 30, 2023	Amounts Due Within One Year
Capital leases	$ 165,917	$ -	($ 22,245)	$ 143,672	$ 16,747
Compensated absences	260,930	243,817	(167,615)	337,132	160,438
Total	$ 426,847	$ 243,817	($ 189,860)	$ 480,804	$ 177,185

NOTE 8: LEASES

Capital Leases

The District has entered into certain capital lease agreements under which the related buildings and equipment will become the property of the District when all terms of the lease agreements are met.

	Stated Interest Rate	Present Value of Remaining Payments at June 30, 2023
Governmental activities	3.847%	$ 143,672
Total		$ 143,672

Equipment and related accumulated depreciation under capital leases are as follows:

	Governmental Activities
Equipment	$ 322,241
Less: accumulated depreciation	(21,483)
Net Value	$ 300,758

As of June 30, 2023, capital lease annual amortization is as follows:

Year Ended June 30	Governmental Activities
2024	$ 21,452
2025	21,452
2026	21,452
2027	21,452
2028	21,452
2029-2031	58,351
Total Requirements	165,611
Less Interest	(21,939)
Present Value of Remaining Payments	$ 143,672

NOTE 9: NET POSITION

The government-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

- **Net investment in capital assets -** 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 the 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.

- **Unrestricted net position -** all other net position that does not meet the definition of “restricted” or “net investment in capital assets”.

Net Position Flow Assumption

When a government funds outlays for a particular purpose from both restricted and unrestricted resources, a flow assumption must be made about the order in which the resources are considered to be applied. When both restricted and unrestricted net position are available, it is considered that restricted resources are used first, followed by the unrestricted resources.

NOTE 10: 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. Fund balances for governmental funds can be made up of the following:

- **Nonspendable fund balance -** amounts that cannot be spent because they are either (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 and prepaid amounts.

- **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 or enabling legislation. Restrictions may effectively be changed or lifted only with consent of resource providers.

- **Committed fund balance -** amounts that can only be used for the specific purposes determined by formal action of the District’s highest level of decision-making authority. The Board of Directors is the highest level of decision-making authority for the District that can, by Board action, commit fund balance. Once adopted, the limitation imposed remains in place until a similar action is taken to remove or revise the limitation. 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 authority, or by a body or an official designated for that purpose.

NOTE 10: FUND BALANCES (CONTINUED)

- **Unassigned fund balance -** the residual classification for the District's General fund that includes all amounts not contained in the other classifications.

The fund balances for all governmental funds as of June 30, 2023, were distributed as follows:

	General Fund	Mitigation Fees	Totals
Restricted for:			
Capital projects	$ -	$ 251,730	$ 251,730
Net pension liability	121,825	-	121,825
Subtotal	121,825	251,730	373,555
Committed for:			
Medical insurance	50,400	-	50,400
Subtotal	50,400	-	50,400
Assigned to:			
General reserve	10,000	-	10,000
Designated	1,220,893	-	1,220,893
Equipment	758,566	-	758,566
Building	297,554	-	297,554
Medical equipment	1,132,333	-	1,132,333
Subtotal	3,419,346	-	3,419,346
Unassigned	672,108	-	672,108
Total	$ 4,263,679	$ 251,730	$ 4,515,409

Fund Balance Flow Assumption

When a government funds outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance), a flow assumption must be made about the order in which the resources are considered to be applied. When both restricted and unrestricted fund balance are available, it is considered that restricted fund balance is depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policy

The Board of Directors adopted a fund balance policy for financial statement reporting on April 12, 2017. The policy establishes procedures for reporting fund balance classifications, establishes a prudent reserve requirement and establishes a hierarchy of fund balance expenditures.

NOTE 11: PENSION PLAN - CALIFORNIA PUBLIC EMPLOYEES RETIREMENT SYSTEM

A. General Information about the Pension Plan

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

Effective January 1, 2013, the District added retirement tiers for both the Miscellaneous and Safety Benefit Plan for new employees as required under the Public Employee Pension Reform Act (PEPRA). Classic employees are generally defined as employees who have been a member of any public retirement system who have had less than a six-month break in service. Applicable new hires to the District defined as classic employees as determined by PERS will be subject to the appropriate non-PEPRA benefit tier (i.e., Safety or Miscellaneous). New non-classic employees will be required to contribute half of the total normal cost of the pension benefit unless impaired by existing Memorandum of Understanding. The cumulative effect of these PEPRA changes will ultimately reduce the District retirement costs.

Summary of Rate Tiers and Eligible Participants

Open for New Enrollment	
Miscellaneous PEPRA	Miscellaneous members hired on or after January 1, 2013
Safety PEPRA	Safety members hired on or after January 1, 2013
Closed to New Enrollment	
Miscellaneous	Miscellaneous members hired before January 1, 2013
Safety	Safety members hired before January 1, 2013

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 at age 50 with statutorily reduced benefits. Retirement benefits are paid monthly for life. 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 the plan are applied as specified by the Public Employees' Retirement Law.

Each Rate Tier's specific provisions and benefits in effect at June 30, 2023, are summarized as follows:

	Benefit Formula	Retirement Age	Monthly Benefits as a % of Eligible Compensation
Miscellaneous	2.0% @ 55	50-62	1.426 to 2.418%
Miscellaneous PEPRA	2.0% @ 62	52-67	1.000 to 2.500%
Safety	3.0% @ 55	50-55	2.400 to 3.000%
Safety PEPRA	2.7% @ 57	50-57	2.000 to 2.700%

NOTE 11: PENSION PLAN - CALIFORNIA PUBLIC EMPLOYEES RETIREMENT SYSTEM (CONTINUED)

A. General Information about the Pension Plan (Continued)

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 all 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.

	Employer Contribution Rates	Employee Contribution Rates	Employer Paid Member Contribution Rates
Miscellaneous	10.32%	7.00%	0.00%
Miscellaneous PEPRA	7.47%	6.75%	0.00%
Safety	21.84%	9.00%	0.00%
Safety PEPRA	12.78%	13.00%	0.00%

For the year ended June 30, 2023, the contributions recognized as part of pension expense were as follows:

	Contributions-Employer	Contributions-Employee (Paid by Employer)
Miscellaneous	$ 18,600	$ -
Safety	330,509	-

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2022, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021 rolled forward to June 30, 2022 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 plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for the Plan as of June 30, 2022 and 2023 was as follows:

	Proportion June 30, 2022	Proportion June 30, 2023	Change - Increase (Decrease)
Miscellaneous	.00199%	.00233%	.00034%
Safety	.03498%	.04007%	.00509%

NOTE 11: PENSION PLAN - CALIFORNIA PUBLIC EMPLOYEES RETIREMENT SYSTEM (CONTINUED)

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pension (Continued)

As of June 30, 2023, the District reported a net pension liability for its proportionate share of the net pension liability as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous	$ 109,183
Safety	2,753,208
Total Net Pension Liability	$ 2,862,391

For the year ended June 30, 2023, the District recognized a pension credit of $486,902. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to the measurement date	$ 431,471	$ -
Change in assumptions	288,795	-
Differences between expected and actual experience	116,138	(31,366)
Differences between projected and actual earnings on pension plan investments	454,770	-
Difference between District contributions and proportionate share of contributions	987	(234,887)
Adjustment due to differences in proportions	268,935	-
Total	$ 1,561,096	($ 266,253)

$431,471 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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	
2024	$ 259,512
2025	206,537
2026	119,876
2027	277,447
Thereafter	-
Total	$ 863,372

NOTE 11: PENSION PLAN - CALIFORNIA PUBLIC EMPLOYEES RETIREMENT SYSTEM (CONTINUED)

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pension (Continued)

Actuarial Assumptions

The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	6.90%
Investment Rate of Return	6.90%
Inflation	2.30%
Salary Increases	Varies by entry-age and service
Mortality Rate Table	Derived using CalPERS membership date for all funds
Post-Retirement Benefit Increase	Contract COLA up to 2.30% until Purchasing Power Protection Allowance Floor applies

The mortality table used was developed based on CalPERS-specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvement using 80 percent of Scale MP-2020 published by the Society of Actuaries. For more details, please refer to the CalPERS 2021 experience study that can be found on the CalPERS website.

Discount Rate

The discount rate used to measure the total pension liability for PERFC was 6.90 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to available to make all projected future benefits payment of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods to all periods of projected benefits payments to determine the total pension liability.

Long-Term Expected Rate of Return

In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension cash flows. Projected returns for all asset classes are estimated and, combined with risk estimates, are used to project compound (geometric) returns over the long-term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return.

NOTE 11: PENSION PLAN - CALIFORNIA PUBLIC EMPLOYEES RETIREMENT SYSTEM (CONTINUED)

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pension (Continued)

Long-Term Expected Rate of Return (Continued)

The expected real rates of return by asset class are as follows:

Asset Class	Assumed Asset Allocation	Real Return Years 1-10 (1, 2)
Global Equity – Cap-Weighted	30.0%	4.54%
Global Equity – Non-Cap-Weighted	12.0%	3.84%
Private Equity	13.0%	7.28%
Treasury	5.0%	0.27%
Mortgage-backed Securities	5.0%	0.50%
Investment Grade Corporates	10.0%	1.56%
High Yield	5.0%	2.27%
Emerging Market Debt	5.0%	2.48%
Private Debt	5.0%	3.57%
Real Assets	15.0%	3.21%
Leverage	(5.0%)	(0.59%)
Total	100.0%	

(1) An expected price inflation of 2.30% used for this period
(2) Figures are based on the 2021 Asset Liability Management Study

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 the Plan as of the measurement date, calculated using the discount rate for the 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:

	1% Decrease 5.90%	Discount Rate 6.90%	1% Increase 7.90%
Miscellaneous	$ 173,219	$ 109,183	$ 56,498
Safety	4,269,605	2,753,208	1,513,896

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

NOTE 12: PENSION PLAN - LENGTH OF SERVICE AWARDS PROGRAM

A. General Information about the Pension Plan

Plan Description

The former Upper Lake Fire Protection District established the Length of Service Awards Program (LOSAP) for volunteer firefighters effective December 1, 1999. In November 2006 when the Northshore Fire Protection District was formed the plan was closed to new participants. The LOSAP is a single employer defined benefit plan.

Benefits Provided

Benefits are calculated at $5 per month for life once members reach 1 year of service and age 55.

Employees Covered

At June 30, 2023, the following employees were covered by the benefit terms:

	Inactive Employees or Beneficiaries Currently Receiving Benefits	Inactive Employees Entitled to But Not Yet Receiving Benefits	Active Employees
LOSAP	3	2	5

B. Net Pension Liability

The District's net pension liability for the LOSAP is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability is measured as of November 30, 2022, using an annual actuarial valuation as of December 1, 2021 rolled forward to November 30, 2022 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Actuarial Assumptions

The total pension liability in the December 1, 2022 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 1, 2021
Measurement Date	November 30, 2022
Funding Method	Entry-Age Normal Frozen Initial Liability
Actuarial Assumptions:	
Discount Rate	3.89%, net of pension plan investment expense, including inflation
Salary increase	Not applicable
Inflation	0.00%
Mortality	No pre-retirement mortality; post-retirement RP2000 projected to 2030

Change of Assumptions

The investment rate of return was changed from 1.86 percent to 3.89 percent.

NOTE 12: PENSION PLAN - LENGTH OF SERVICE AWARDS PROGRAM (CONTINUED)

B. Net Pension Liability (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 3.89 percent which is based on the 20-year AA general obligation bond rate as of November 30, 2022.

C. Changes in the Net Pension Liability

As of June 30, 2023, the changes in the net pension liability of the LOSAP, is as follows:

	Increases (Decreases)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at December 1, 2021	$ 170,929	$ -	$ 170,929
Changes in the year:			
Service cost	1,669	-	1,669
Interest	6,502	-	6,502
Difference between expected and actual experience	659	-	659
Change of assumptions	(40,119)	-	(40,119)
Benefit payments and expenses	(8,620)	-	(8,620)
Net Changes	(39,909)	-	(39,909)
Balances at November 30, 2022	$ 131,020	$ -	$ 131,020

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability as of the measurement date, calculated using the discount rate for the Plan, as well as what the District's 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:

	1% Decrease 2.89%	Discount Rate 3.89%	1% Increase 4.89%
LOSAP	$ 147,412	$ 131,020	$ 117,473

NOTE 13: OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The District has agreed to pay postemployment health insurance benefits for four retirees. These benefits are financed on a pay-as-you-go basis. The District has not had an actuarial valuation of the OPEB plan and has not recorded the OPEB liability. The amount paid on the pay-as-you-go basis for the year ended June 30, 2023 was $36,133.

NOTE 14: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

NOTE 14: RISK MANAGEMENT (CONTINUED)

Northshore Fire Protection District is a member of the Golden State Risk Management Authority - Joint Powers Insurance Authority (JPIA). The JPIA's members have pooled funds to be self-insured for property/liability and workers' compensation insurance. The District participates in the property/liability and workers' compensation programs.

Settled claims have not exceeded insurance coverage in the last three years and no additional liability has been accrued at June 30, 2023 based on the requirements of GASB Code Section C50.110, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

NOTE 15: OTHER INFORMATION

A. Commitments and Contingencies

There are potential claims and legal actions pending against the District for which no provisions have been made in the financial statements. In the opinion of the District management and legal counsel, liabilities arising from these claims and legal actions, if any, either will not be material or cannot be estimated at this time.

B. Subsequent Events

Management has evaluated events subsequent to June 30, 2023 through January 26, 2024, the date on which the financial statements were available for issuance. Management has determined no subsequent events requiring disclosure have occurred.

Supplementary Information

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NORTHSHORE FIRE PROTECTION DISTRICT
Supplementary Information
District Pension Plan
Schedule of Changes in Net Pension Liability and Related Ratios
For the Year Ended June 30, 2023
Last 10 Years*

Measurement Date	**2015/16**	**2016/17**	**2017/18**	**2018/19**
LOSAP				
Total Pension Liability				
Service cost	$ 2,761	$ 3,235	$ 3,787	$ 1,839
Interest	4,643	4,092	5,234	3,792
Differences between expected and actual experience	-	501	390	2,089
Changes of assumptions	(3,827)	16,906	(6,631)	18,118
Payments for benefits and admin expenses	(5,062)	(5,220)	(7,620)	(8,465)
Net Change in Total Pension Liability	(1,485)	19,514	(4,840)	17,373
Total Pension Liability - Beginning	120,810	119,325	138,839	133,999
Total Pension Liability - Ending (a)	$ 119,325	$ 138,839	$ 133,999	$ 151,372
Plan Fiduciary Net Position				
Plan Fiduciary Net Position - Ending (b)	$ -	$ -	$ -	$ -
Net Pension Liability - Ending (a)-(b)	$ 119,325	$ 138,839	$ 133,999	$ 151,372
Plan fiduciary net position as a percentage of the total pension liability	0%	0%	0%	0%
Covered-employee payroll	$ -	$ -	$ -	$ -
Total pension liability as a percentage of covered-employee payroll	0%	0%	0%	0%

***** The District implemented GASB 73 for fiscal year June 30, 2017, therefore only seven years are shown.

2019/20	2020/21	2021/22
$ 2,036	$ 2,086	$ 1,669
3,038	3,082	6,502
933	(17)	659
19,297	4,602	(40,119)
(7,460)	(8,040)	(8,620)
17,844	1,713	(39,909)
151,372	169,216	170,929
$ 169,216	$ 170,929	$ 131,020
$ -	$ -	$ -
$ 169,216	$ 170,929	$ 131,020
0%	0%	0%
$ -	$ -	$ -
0%	0%	0%

NORTHSHORE FIRE PROTECTION DISTRICT
Supplementary Information
District Pension Plan
Schedule of Proportionate Share of the Net Pension Liability
For the Year Ended June 30, 2023
Last 10 Years*

Measurement Date	**2013/14**	**2014/15**	**2015/16**	**2016/17**	**2017/18**
Miscellaneous					
Proportion of the net pension liability	0.00209%	0.00172%	0.00345%	0.00290%	0.00237%
Proportionate share of the net pension liability	$ 130,243	$ 117,819	$ 119,915	$ 114,472	$ 89,346
Covered payroll	45,513	73,896	82,472	74,547	44,125
Proportionate share of the net pension liability as a percentage of covered payroll	286.17%	159.44%	145.40%	153.56%	202.48%
Plan fiduciary net position as a percentage of the total pension liability	58.84%	66.09%	67.21%	67.95%	78.93%
Safety					
Proportion of the net pension liability	0.02477%	0.02197%	0.03627%	0.03519%	0.03514%
Proportionate share of the net pension liability	$ 1,541,144	$ 1,507,791	$ 1,878,300	$ 2,102,937	$ 2,061,718
Covered payroll	766,311	939,509	1,028,486	1,068,866	1,025,064
Proportionate share of the net pension liability as a percentage of covered payroll	201.11%	160.49%	182.63%	196.74%	201.13%
Plan fiduciary net position as a percentage of the total pension liability	75.44%	76.72%	73.63%	73.27%	75.60%

***** The District implemented GASB 68 for fiscal year June 30, 2015, therefore only nine years are shown.

2018/19	2019/20	2020/21	2021/22
0.00194%	0.00205%	0.00199%	0.00233%
$ 77,745	$ 86,531	$ 37,873	$ 109,183
38,412	34,128	36,873	49,575
202.40%	253.55%	102.71%	220.24%
82.71%	80.94%	91.68%	76.76%
0.03507%	0.03558%	0.03498%	0.04007%
$ 2,189,476	$ 2,370,484	$ 1,227,777	$ 2,753,208
676,559	1,058,434	1,060,344	1,041,674
323.62%	223.96%	115.79%	264.31%
75.73%	75.46%	87.66%	74.93%

NORTHSHORE FIRE PROTECTION DISTRICT
Supplementary Information
District Pension Plan
Schedule of Contributions
For the Year Ended June 30, 2023
Last 10 Years*

Fiscal Year	2014/15	2015/16	2016/17	2017/18	2018/19
Miscellaneous					
Contractually required contributions (actuarially determined)	$ 29,448	$ 28,968	$ 29,642	$ 30,543	$ 6,376
Contributions in relation to the actuarially determined contributions	(29,448)	(28,968)	(29,642)	(30,543)	(6,376)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 73,896	$ 82,472	$ 74,547	$ 44,125	$ 38,412
Contributions as a percentage of covered payroll	39.85%	35.12%	39.76%	69.22%	16.60%
Safety					
Contractually required contributions (actuarially determined)	$ 267,006	$ 275,623	$ 332,024	$ 342,116	$ 314,266
Contributions in relation to the actuarially determined contributions	(267,006)	(275,623)	(332,024)	(342,116)	(314,266)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 939,509	$ 1,028,486	$ 1,068,866	$ 1,025,064	$ 676,559
Contributions as a percentage of covered payroll	28.42%	26.80%	31.06%	33.38%	46.45%

***** The District implemented GASB 68 for fiscal year June 30, 2015, therefore only nine years are shown.

2019/2020	2020/21	2021/22	2022/23
$ 5,743	$ 8,319	$ 18,600	$ 14,370
(5,743)	(8,319)	(18,600)	(14,370)
$ -	$ -	$ -	$ -
$ 34,128	$ 36,873	$ 49,575	$ 45,414
16.83%	22.56%	37.52%	31.64%
$ 382,013	$ 314,730	$ 330,509	$ 417,101
(382,013)	(314,730)	(330,509)	(417,101)
$ -	$ -	$ -	$ -
$ 1,058,434	$ 1,060,344	$ 1,041,674	$ 1,374,845
36.09%	29.68%	31.73%	30.34%

NORTHSHORE FIRE PROTECTION DISTRICT
Supplementary Information
District Pension Plan
Notes to District Pension Plan
For the Year Ended June 30, 2023

NOTE 1: SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Summary of Changes of Benefits or Assumptions

Benefit Changes: None

Changes of Assumptions: None

NOTE 2: SCHEDULE OF CONTRIBUTIONS

Methods and assumptions used to determine the contribution rates were as follows:

Valuation Date	June 30, 2021
Actuarial cost method	Individual Entry Age Normal
Amortization method	Level Percentage of Payroll (Pre-2019 basis), Level Dollar
Remaining Amortization Period	Differs by employer rate plan but no more than 30 years
Asset valuation method	Fair value
Discount rate	7.00%
Payroll growth	2.75%
Inflation	2.50%
Salary increases	Varies based on entry age and service
Investment rate of return	7.00%

NORTHSHORE FIRE PROTECTION DISTRICT
Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2023

	Original Budget	Final Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes and assessments	$ 935,788	$ 935,788	$ 1,204,894	$ 269,106
Licenses and permits	11,000	11,000	10,039	(961)
Fines and forfeitures	-	-	237	237
Use of money and property	36,360	36,360	49,705	13,345
Intergovernmental revenues	536,094	759,161	254,513	(504,648)
Charges for services	2,603,000	3,388,481	3,747,782	359,301
Other revenues	105,000	199,953	236,916	36,963
Total Revenues	4,227,242	5,330,743	5,504,086	173,343
EXPENDITURES				
Current public protection:				
Salaries and benefits	3,594,571	3,391,681	3,005,431	386,250
Services and supplies	1,114,982	2,277,759	2,139,033	138,726
Debt service:				
Principal and interest	15,500	87,154	27,461	59,693
Capital outlay	23,000	322,515	409,214	(86,699)
Total Expenditures	4,748,053	6,079,109	5,581,139	497,970
Excess of Revenue Over (Under) Expenditures	(520,811)	(748,366)	(77,053)	671,313
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	-	-	5,850	5,850
Transfers in	50,000	86,900	36,900	(50,000)
Total Other Financing Sources (Uses)	50,000	86,900	42,750	(44,150)
Net Change in Fund Balances	(470,811)	(661,466)	(34,303)	627,163
Fund Balances - Beginning	4,297,982	4,297,982	4,297,982	-
Fund Balances - Ending	$ 3,827,171	$ 3,636,516	$ 4,263,679	$ 627,163

The Northshore Fire Protection District budgets for debt service principal and interest expenditures as one item. For purposes of the budgetary comparison schedule, the debt service principal and interest expenditures have been combined.

NORTHSHORE FIRE PROTECTION DISTRICT
Supplementary Information
Budgetary Comparison Schedule
Mitigation Fees - Major Special Revenue Fund
For the Year Ended June 30, 2023

	Original Budget	Final Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Use of money and property	$ 800	$ 800	$ 2,710	$ 1,910
Charges for services	25,000	25,000	44,199	19,199
Total Revenues	25,800	25,800	46,909	21,109
EXPENDITURES				
Capital outlay	50,000	50,000	-	50,000
Total Expenditures	50,000	50,000	-	50,000
Excess of Revenue Over (Under) Expenditures	(24,200)	(24,200)	46,909	71,109
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	(36,900)	(36,900)
Total Other Financing Sources (Uses)	-	-	(36,900)	(36,900)
Net Change in Fund Balances	(24,200)	(24,200)	10,009	34,209
Fund Balances - Beginning	241,721	241,721	241,721	-
Fund Balances - Ending	$ 217,521	$ 217,521	$ 251,730	$ 34,209

NORTHSHORE FIRE PROTECTION DISTRICT
Supplementary Information
Note to Budgetary Comparison Schedules
For the Year Ended June 30, 2023

NOTE 1: BUDGETARY BASIS OF ACCOUNTING

Formal budgetary integration is employed as a management control device during the year. The District presents a comparison of annual budgets to actual results for the General fund and major special revenue fund. The amounts reported on the budgetary basis are generally on the basis of accounting described in Note 1C.

The following procedures are performed by the District in establishing the budgetary data reflected in the financial statements:

(1) The Fire Chief submits to the Board of Directors a recommended budget for the fiscal year commencing the following July 1. The budget includes recommended expenditures and the means of financing them.

(2) The Board of Directors review the recommended budget at regularly scheduled meetings, which are open to the public. The Board also conducts a public hearing on the recommended budget to obtain comments from interested persons.

(3) Prior to July 1, the budget is adopted through the passage of a resolution.

(4) From the effective date of the budget, the amounts stated therein, as recommended expenditures become appropriations to the District. The Board may amend the budget by motion during the fiscal year.

The District does not use encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation.

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OTHER REPORT AND SCHEDULES

- **Other Report**
- **Schedule of Findings and Recommendations**
- **Schedule of Prior Year Findings and Recommendations**
- **Management's Corrective Action Plan**

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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
Northshore Fire Protection District
Lucerne, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the modified cash basis financial statements of the governmental activities and each major fund of Northshore Fire Protection District, California (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 and have issued our report thereon dated January 26, 2024.

Report on Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and recommendations, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and recommendations to be a material weakness. (2023-001)

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. We consider the deficiency described in the accompanying schedule of findings and recommendations to be a significant deficiency. (2023-002)

950 THARP ROAD, SUITE 502 YUBA CITY, CA 95993 TEL: (530) 673-9790 FAX: (530) 673-1305 ACCOUNTING@SMITHANDNEWELL.COM

To the Board of Directors
Northshore Fire Protection District
Lucerne, California

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 financial statements. 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.

District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying schedule of findings and recommendations. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

Smith ~ Newell

Smith & Newell CPAs
Yuba City, California
January 26, 2024

NORTHSHORE FIRE PROTECTION DISTRICT
Schedule of Findings and Recommendations
For the Year Ended June 30, 2023

2023-001 Prior Period Adjustment (Material Weakness)

Criteria

Generally Accepted Accounting Principles require that errors of the prior year ending balances be corrected by a prior period adjustment to beginning fund balance/net position.

Condition

We noted that the District had understated the balance of capital assets at June 30, 2022.

Cause

The District had not reported construction in progress costs incurred in the 2021/2022 fiscal year.

Effect

Capital assets were understated at June 30, 2022.

Questioned Cost

No questioned costs were identified as a result of our procedures.

Context

Not applicable.

Repeat Finding

Not a repeat finding.

Recommendation

We recommend that all year-end balances be reviewed for accuracy.

Views of Responsible Officials and Planned Corrective Action

Refer to separate Management's Corrective Action Plan for views of responsible officials and management's responses.

2023-002 Audit Adjustments (Significant Deficiency)

Criteria

Governmental auditing standards require independent auditors to evaluate all unadjusted misstatements of financial statements. Also, producing timely audited financial statements is more difficult when adjustments are not recorded prior to the start of the annual audit.

Condition

At the time of our audit, we noted that the financial statements as presented to us for audit contained misstatements in cash, revenues, and expenditures that required adjustment.

Cause

The District does not record outside bank accounts in the general ledger.

Effect

The financial statements as presented to us contained misstatements and required adjustment.

Questioned Cost

No questioned costs were identified as a result of our procedures.

Context

Not applicable.

Repeat Finding

This is a repeat of prior year finding 2022-001.

Recommendation

We recommend that the District record outside bank account activity in the general ledger so that the financial statements are correctly stated. All required adjustments should be recorded prior to the start of the annual audit.

Views of Responsible Officials and Planned Corrective Action

Refer to separate Management's Corrective Action Plan for views of responsible officials and management's responses.

NORTHSHORE FIRE PROTECTION DISTRICT
Schedule of Prior Year Findings and Recommendations
For the Year Ended June 30, 2023

Audit Reference	Status of Prior Year Audit Recommendation
2022-001	**Audit Adjustments**

Recommendation

We recommend that the District record outside bank account activity in the general ledger so that the financial statements are correctly stated. All required adjustments should be recorded prior to the start of the annual audit.

Status

Not implemented

NORTHSHORE FIRE PROTECTION DISTRICT
Management's Corrective Action Plan
For the Year Ended June 30, 2023

2023-001 Prior Period Adjustment (Material Weakness)

We recommend that all year-end balances be reviewed for accuracy.

Management's Response:	The District concurs with the finding.
Responsible Individual:	Maya Colacion, Financial Analyst
Corrective Action Plan:	Northshore Fire Protection District will review all year-end balances for accuracy.
Anticipated Completion Date:	June 30, 2024

2023-002 Audit Adjustments (Significant Deficiency)

We recommend that the District record the activity in the outside bank account in the general ledger so that the financial statements are correctly stated. All required adjustments should be recorded prior to the start of the annual audit.

Management's Response:	The District concurs with the finding.
Responsible Individual:	Maya Colacion, Financial Analyst
Corrective Action Plan:	The District will record the activity of the outside bank account in the general ledger and perform and record all required adjustments prior to the annual audit.
Anticipated Completion Date:	June 30, 2024