

**STALLION SPRINGS  
COMMUNITY SERVICES DISTRICT  
FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT  
For the Fiscal Year Ended  
June 30, 2023**

**NIGRO & NIGRO<sup>PC</sup>**

**STALLION SPRINGS COMMUNITY SERVICES DISTRICT**

*For the Fiscal Year Ended June 30, 2023*

*Table of Contents*

---

**FINANCIAL SECTION**

**Page**

Independent Auditors' Report ..... 1

Management's Discussion and Analysis..... 4

Basic Financial Statements:

    Government-wide Financial Statements:

        Statement of Net Position.....11

        Statement of Activities.....12

    Governmental Funds Financial Statements:

        Governmental Funds Balance Sheet.....14

        Reconciliation of the Governmental Funds Balance Sheet to Statement of Net Position .....15

        Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund  
            Fund Balances .....16

        Reconciliation of the Statement of Governmental Fund Revenues, Expenditures, and Changes  
            in Fund Balances to the Statement of Activities.....17

    Proprietary Fund Financial Statements:

        Balance Sheets .....18

        Statement of Revenues, Expenses, and Changes in Net Position.....19

        Statement of Cash Flows.....20

Notes to Financial Statements .....21

**REQUIRED SUPPLEMENTARY INFORMATION**

Budgetary Comparison Schedule – General Fund .....48

Budgetary Comparison Schedule – Parks and Recreation Department .....49

Budgetary Comparison Schedule – Public Safety Fund.....50

Budgetary Comparison Schedule – Roads Fund.....51

Schedule of Proportionate Share of the Net Pension Liability.....52

Schedule of Pension Contributions .....53

**OTHER INDEPENDENT AUDITORS' REPORTS**

Independent Auditors' 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*.....54

---

---

***Financial Section***

---

---



## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Stallion Springs Community Services District  
Stallion Springs, California

### Opinion

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 Stallion Springs Community Services District (District) as of and for the year ended June 30, 2023, and related notes to the 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, business-type activities, each major fund and the aggregate remaining fund information of the District, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

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 opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 the 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.

## **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 opinion. 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 and *Government 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 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 and *Government 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.

## **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Schedule – General Fund, Budgetary Comparison Schedule – Parks and Recreation Fund, Budgetary Comparison Schedule – Public Safety Fund, Budgetary Comparison Schedule – Roads Fund, Schedule of the Proportionate Share of the Net Pension Liability and the Schedule of Pension Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a separate report dated January 10, 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 agreements and other matters. The purpose of that report is 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.

Murrieta, California  
January 10, 2024

# STALLION SPRINGS COMMUNITY SERVICES DISTRICT

## Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2023

---

Management's Discussion and Analysis (MD&A) offers readers of Stallion Springs Community Services District's financial statements a narrative overview of the District's financial activities for the fiscal year ended June 30, 2023. This MD&A presents financial highlights, an overview of the accompanying financial statements, an analysis of net position and results of operations, a current-to-prior year analysis, a discussion on restrictions, commitments and limitations, and a discussion of significant activity involving capital assets and long-term debt. Please read in conjunction with the financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- The District's net position decreased 2.60%, or \$284,151 from the prior year's net position of \$10,933,214 to \$10,649,063, as a result of this year's operations.
- Total revenues from all sources decreased by 20.97%, or \$1,007,766 from \$4,806,219 to \$3,798,453 from the prior year, primarily due to a \$1,133,330 payment received from the TCP settlement in the prior fiscal year.
- Total expenses for the District's operations before depreciation expense increased by 9.36% or \$251,374 from \$2,684,382 to \$2,935,756, from the prior year.

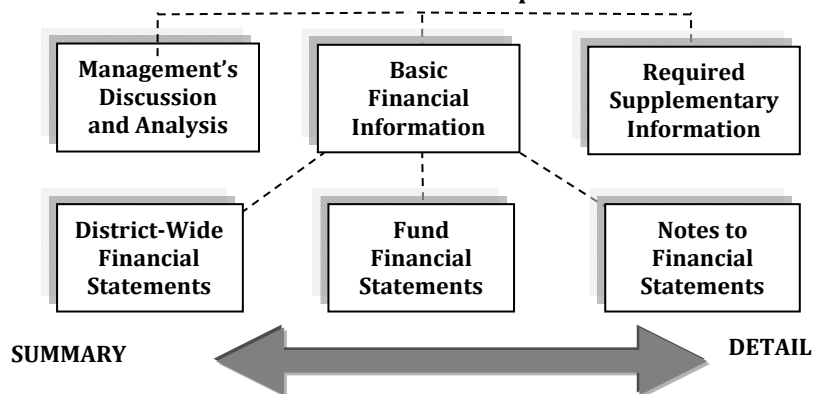
### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- *District-wide financial statements* provide both short-term and long-term information about the District's overall financial status.
- *Fund financial statements* focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
  - The *governmental funds* statements tell how basic services were financed in the short term as well as what remains for future spending.
  - Short and long-term financial information about the activities of the District that operate like businesses (self-insurance funds) are provided in the *proprietary funds statements*.

**Figure A-1. Organization of Stallion Springs Community Services District's Annual Financial Report**

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.



**STALLION SPRINGS COMMUNITY SERVICES DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2023*

---

**OVERVIEW OF THE FINANCIAL STATEMENTS (continued)**

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**Figure A-2. Major Features of the District-Wide and Fund Financial Statements**

<b>Type of Statements</b>	<b>District-Wide</b>	<b>Governmental Fund</b>	<b>Proprietary Funds</b>
<i>Scope</i>	Entire District	The activities of the District that are not proprietary or fiduciary, such as fire and ambulance services	Activities of the District that operate like a business, such as self-insurance funds
<i>Required financial statements</i>	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures &amp; Changes in Fund Balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Revenues, Expenses, &amp; Changes in Net Position</li> <li>• Statement of Cash Flows</li> </ul>
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both short-term and long-term; The District's funds do not currently contain nonfinancial assets, though they can
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid



## STALLION SPRINGS COMMUNITY SERVICES DISTRICT

*Management's Discussion and Analysis (Unaudited)*

*For the Fiscal Year Ended June 30, 2023*

---

### OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

#### **District-Wide Statements**

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District's net position and how it has changed. Net position – the difference between the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources – is one way to measure the District's financial health, or *position*.

- Over time, increases and decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's demographics and the condition of buildings and other facilities.
- In the district-wide financial statements, the District's activities are categorized as *Governmental Activities*. Most of the District's basic services are included here, such as weed abatement, landscape maintenance, and administration. State and local programs finance most of these activities.

#### **Fund Financial Statements**

The fund financial statements provide more detailed information about the District's most significant funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. Some funds are required by State law and by grantor requirements.

The District has two kinds of funds:

- 1) **Governmental funds** – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information on a separate reconciliation page that explains the relationship (or differences) between them.
- 2) **Proprietary funds** – When the District charges other District funds for the services it provides, these services are reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and Statement of Activities. In fact, the District's internal service fund is included within the governmental activities reported in the district-wide statements but provide more detail and additional information, such as cash flows. The District uses the internal service fund to report activities that relate to the District's self-insured programs for workers compensation claims, health and welfare benefits, and property and liability claims.

**STALLION SPRINGS COMMUNITY SERVICES DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2023*

---

**FINANCIAL ANALYSIS AND CONDENSED FINANCIAL INFORMATION**

**Analysis of Net Position**

**Table A-1: Condensed Statement of Net Position**

	Governmental Activities		Business-Type Activities		Total	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
<b>ASSETS:</b>						
Current assets	\$ 3,100,630	\$ 2,939,933	\$ 3,118,231	\$ 3,417,710	\$ 6,218,861	\$ 6,357,643
Capital assets, net	3,423,421	3,627,983	5,133,058	5,555,723	8,556,479	9,183,706
<b>Total assets</b>	<b>6,524,051</b>	<b>6,567,916</b>	<b>8,251,289</b>	<b>8,973,433</b>	<b>14,775,340</b>	<b>15,541,349</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>558,892</b>	<b>270,940</b>	<b>213,852</b>	<b>95,985</b>	<b>772,744</b>	<b>366,925</b>
<b>LIABILITIES:</b>						
Current liabilities	261,560	283,828	435,580	428,249	697,140	712,077
Non-current liabilities	1,731,023	1,308,808	2,377,305	2,439,972	4,108,328	3,748,780
<b>Total liabilities</b>	<b>1,992,583</b>	<b>1,592,636</b>	<b>2,812,885</b>	<b>2,868,221</b>	<b>4,805,468</b>	<b>4,460,857</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>74,761</b>	<b>341,508</b>	<b>18,792</b>	<b>172,695</b>	<b>93,553</b>	<b>514,203</b>
<b>NET POSITION</b>						
Net investment in capital assets	2,604,589	2,662,707	2,915,491	3,030,850	5,520,080	5,693,557
Unrestricted	2,411,010	2,242,005	2,717,973	2,997,652	5,128,983	5,239,657
<b>Total net position</b>	<b>\$ 5,015,599</b>	<b>\$ 4,904,712</b>	<b>\$ 5,633,464</b>	<b>\$ 6,028,502</b>	<b>\$ 10,649,063</b>	<b>\$ 10,933,214</b>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources of the District exceeded liabilities and deferred inflows of resources by \$10,649,063 as of June 30, 2023.

By far the largest portion of the District's net position (52% as of June 30, 2023) reflects the District's investment in capital assets (net of accumulated depreciation) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its customers; consequently, these assets are not available for future spending.

At the end of fiscal year 2023, the District shows a positive balance in its unrestricted net position of \$5,128,983 that may be utilized in future years.

**STALLION SPRINGS COMMUNITY SERVICES DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2023*

---

**FINANCIAL ANALYSIS AND CONDENSED FINANCIAL INFORMATION (continued)**

**Analysis of Revenues and Expenses**

**Table A-2: Condensed Statement of Activities**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2023</u>	<u>June 30, 2022</u>
<b>REVENUES:</b>						
Program revenues	\$ 802,243	\$ 771,330	\$ 1,821,361	\$ 3,200,388	\$ 2,623,604	\$ 3,971,718
General revenues	1,110,475	932,828	64,374	(98,327)	1,174,849	834,501
<b>Total revenues</b>	<u>1,912,718</u>	<u>1,704,158</u>	<u>1,885,735</u>	<u>3,102,061</u>	<u>3,798,453</u>	<u>4,806,219</u>
<b>EXPENSES:</b>						
Operations	1,355,723	1,208,228	1,580,033	1,476,154	2,935,756	2,684,382
Depreciation expense	405,073	405,073	535,582	535,582	940,655	940,655
Interest expense	41,035	41,035	165,158	165,158	206,193	206,193
<b>Total expenses</b>	<u>1,801,831</u>	<u>1,654,336</u>	<u>2,280,773</u>	<u>2,176,894</u>	<u>4,082,604</u>	<u>3,831,230</u>
<b>Change in net position</b>	<u>110,887</u>	<u>49,822</u>	<u>(395,038)</u>	<u>925,167</u>	<u>(284,151)</u>	<u>974,989</u>
<b>NET POSITION:</b>						
Beginning of year	4,904,712	4,854,890	6,028,502	5,103,335	10,933,214	9,958,225
End of year	<u>\$ 5,015,599</u>	<u>\$ 4,904,712</u>	<u>\$ 5,633,464</u>	<u>\$ 6,028,502</u>	<u>\$ 10,649,063</u>	<u>\$ 10,933,214</u>

The statement of activities shows how the government's net position changed during the fiscal year. In the case of the District, the operations of the District decreased by \$284,151 during the fiscal year ended June 30, 2023.

Total revenues from all sources decreased by 20.97%, or \$1,007,766 from \$4,806,219 to \$3,798,453 from the prior year, primarily due to a \$1,133,330 payment received from the TCP settlement in the prior fiscal year.

Total expenses for the District's operations before depreciation expense increased by 9.36% or \$251,374 from \$2,684,382 to \$2,935,756, from the prior year.

**STALLION SPRINGS COMMUNITY SERVICES DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2023*

---

**GOVERNMENTAL FUNDS FINANCIAL ANALYSIS**

The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, the *unreserved fund balance* may serve as a useful measure of the government's net resources for spending at the end of the fiscal year.

As of June 30, 2023, the District reported a total fund balance in its governmental funds of \$3,023,493. An amount of \$2,319,059 constitutes the District's *unassigned fund balance*, which is available for future expenditures.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The final budgeted expenditures for the District's governmental funds at year-end were \$5,662 more than actual. Actual revenues were greater than the anticipated budget by \$137,300.

**CAPITAL ASSET ADMINISTRATION**

**Table A-3: Capital Assets at Year End, Net of Depreciation**

	<u>Balance July 1, 2022</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance June 30, 2023</u>
Non-depreciable capital assets	\$ 881,657	\$ -	\$ -	\$ 881,657
Depreciable capital assets	24,816,150	303,615	(9,305,317)	15,814,448
Total capital assets	25,697,807	303,615	(9,305,317)	16,696,105
Accumulated depreciation	(16,514,101)	(930,842)	9,305,317	(8,139,626)
Total capital assets, net	<u>\$ 9,183,706</u>	<u>\$ (627,227)</u>	<u>\$ -</u>	<u>\$ 8,556,479</u>

At the end of fiscal year 2023, the District's investment in capital assets amounted to \$8,556,479 (net of accumulated depreciation). This investment in capital assets includes structures, improvements and equipment. Major capital asset additions during the year include various equipment totaling \$303,615.

See Note 3 for further information on the District's capital assets.

**STALLION SPRINGS COMMUNITY SERVICES DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2023*

---

**CAPITAL ASSET ADMINISTRATION (continued)**

**Table A-4: Long-term Debt and Debt Service**

	<u>Balance</u> <u>July 1, 2022</u>	<u>Additions</u>	<u>Principal</u> <u>Payments</u>	<u>Balance</u> <u>June 30, 2023</u>
Notes payable	\$ 3,490,149	\$ -	\$ (453,750)	\$ 3,036,399

In fiscal year 2023, the District's Long-term debt decreased by \$453,750 from regular principal payments on existing loans.

See Note 5 for further information on the District's long-term debt.

**FACTORS AFFECTING CURRENT FINANCIAL POSITION**

Management is unaware of any item that would affect the current financial position.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

The District's basic financial statements are designed to present users with a general overview of the District's finances and to demonstrate the District's accountability. If you have any questions about the report or need additional information, please contact the District's General Manager at (661) 822-3268.

# STALLION SPRINGS COMMUNITY SERVICES DISTRICT

## Statement of Net Position

June 30, 2023

<u>ASSETS</u>	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Current assets:</b>			
Cash and investments (note 2)	\$ 3,099,100	\$ 2,899,726	\$ 5,998,826
Accrued interest receivable	10	7	17
Accounts receivable – services	1,520	218,498	220,018
<b>Total current assets</b>	<b>3,100,630</b>	<b>3,118,231</b>	<b>6,218,861</b>
<b>Non-current assets:</b>			
Capital assets – not being depreciated (note 3)	73,657	808,000	881,657
Capital assets – being depreciated, net (note 3)	3,349,764	4,325,058	7,674,822
<b>Total non-current assets</b>	<b>3,423,421</b>	<b>5,133,058</b>	<b>8,556,479</b>
<b>Total assets</b>	<b>6,524,051</b>	<b>8,251,289</b>	<b>14,775,340</b>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>			
Pension related deferred outflows of resources (Note 6)	558,892	213,852	772,744
<b>Total deferred outflows of resources</b>	<b>558,892</b>	<b>213,852</b>	<b>772,744</b>
<b><u>LIABILITIES</u></b>			
<b>Current liabilities:</b>			
Accounts payable and accrued expenses	77,137	66,853	143,990
Accrued interest payable	2,644	28,910	31,554
Compensated absences (note 4)	29,843	21,781	51,624
Notes payable (note 5)	151,936	318,036	469,972
<b>Total current liabilities</b>	<b>261,560</b>	<b>435,580</b>	<b>697,140</b>
<b>Non-current liabilities:</b>			
Compensated absences (note 4)	55,422	40,451	95,873
Notes payable (note 5)	666,896	1,899,531	2,566,427
Net pension liability (note 6)	1,008,705	437,323	1,446,028
<b>Total non-current liabilities</b>	<b>1,731,023</b>	<b>2,377,305</b>	<b>4,108,328</b>
<b>Total liabilities</b>	<b>1,992,583</b>	<b>2,812,885</b>	<b>4,805,468</b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Pension related deferred inflows of resources (Note 6)	74,761	18,792	93,553
<b>Total deferred inflows of resources</b>	<b>74,761</b>	<b>18,792</b>	<b>93,553</b>
<b><u>NET POSITION</u></b>			
Net investment in capital assets (note 7)	2,604,589	2,915,491	5,520,080
Unrestricted	2,411,010	2,717,973	5,128,983
<b>Total net position</b>	<b>\$ 5,015,599</b>	<b>\$ 5,633,464</b>	<b>\$ 10,649,063</b>

**STALLION SPRINGS COMMUNITY SERVICES DISTRICT**

*Statement of Activities*

*For the Fiscal Year Ended June 30, 2023*

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Capital and Operating Grants
<b>Primary government:</b>			
<b>Governmental activities:</b>			
General government	\$ 141,914	\$ 32,107	\$ -
Parks and recreation	327,907	122,250	-
Public safety	833,434	137,390	165,271
Roads	498,576	345,225	-
<b>Total governmental activities</b>	<b>1,801,831</b>	<b>636,972</b>	<b>165,271</b>
<b>Business-type activities:</b>			
Water	1,615,230	1,182,519	69,040
Sewer	470,882	381,435	-
Solid waste	194,661	188,367	-
<b>Total business-type activities</b>	<b>2,280,773</b>	<b>1,752,321</b>	<b>69,040</b>
<b>Total primary government</b>	<b>\$ 4,082,604</b>	<b>\$ 2,389,293</b>	<b>\$ 234,311</b>

**STALLION SPRINGS COMMUNITY SERVICES DISTRICT**

*Statement of Activities (continued)*

*For the Fiscal Year Ended June 30, 2023*

Functions/Programs	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-Type Activities	Total
<b>Primary government:</b>			
<b>Governmental activities:</b>			
General government	\$ (109,807)	\$ -	\$ (109,807)
Parks and recreation	(205,657)	-	(205,657)
Public safety	(530,773)	-	(530,773)
Roads	(153,351)	-	(153,351)
<b>Total governmental activities</b>	<b>(999,588)</b>	<b>-</b>	<b>(999,588)</b>
<b>Business-type activities:</b>			
Water	-	(363,671)	(363,671)
Sewer	-	(89,447)	(89,447)
Solid waste	-	(6,294)	(6,294)
<b>Total business-type activities</b>	<b>-</b>	<b>(459,412)</b>	<b>(459,412)</b>
<b>Total primary government</b>	<b>(999,588)</b>	<b>(459,412)</b>	<b>(1,459,000)</b>
<b>General revenues:</b>			
Property taxes	1,071,304	-	1,071,304
Investment earnings	39,171	64,374	103,545
<b>Total general revenues</b>	<b>1,110,475</b>	<b>64,374</b>	<b>1,174,849</b>
<b>Change in net position</b>	<b>110,887</b>	<b>(395,038)</b>	<b>(284,151)</b>
<b>Net position:</b>			
Beginning of year	4,904,712	6,028,502	10,933,214
End of year	\$ 5,015,599	\$ 5,633,464	\$ 10,649,063



# STALLION SPRINGS COMMUNITY SERVICES DISTRICT

## Balance Sheet – Governmental Funds

June 30, 2023

<u>Assets</u>	<u>General Government</u>	<u>Parks and Recreation</u>	<u>Public Safety</u>	<u>Roads</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>					
Cash and investments	\$ 2,322,014	\$ 369,792	\$ 122,700	\$ 284,594	\$ 3,099,100
Accrued interest receivable	10	-	-	-	10
Accounts receivable – services	1,520	-	-	-	1,520
<b>Total assets</b>	<b>\$ 2,323,544</b>	<b>\$ 369,792</b>	<b>\$ 122,700</b>	<b>\$ 284,594</b>	<b>\$ 3,100,630</b>
<b><u>Liabilities and Fund Balance</u></b>					
<b>Liabilities:</b>					
Accounts payable and accrued expenses	\$ 18,189	\$ 29,521	\$ 26,132	\$ 3,295	\$ 77,137
<b>Total liabilities</b>	<b>18,189</b>	<b>29,521</b>	<b>26,132</b>	<b>3,295</b>	<b>77,137</b>
<b>Fund balance: (note 8)</b>					
Committed	25,910	2,401	56,954	281,299	366,564
Assigned	-	337,870	-	-	337,870
Unassigned	2,279,445	-	39,614	-	2,319,059
<b>Total fund balance</b>	<b>2,305,355</b>	<b>340,271</b>	<b>96,568</b>	<b>281,299</b>	<b>3,023,493</b>
<b>Total liabilities and fund balance</b>	<b>\$ 2,323,544</b>	<b>\$ 369,792</b>	<b>\$ 122,700</b>	<b>\$ 284,594</b>	<b>\$ 3,100,630</b>

## STALLION SPRINGS COMMUNITY SERVICES DISTRICT

### *Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position June 30, 2023*

---

<b>Total Fund Balances - Total Governmental Funds</b>	<u>\$ 3,023,493</u>
Amounts reported for governmental activities in the statement of net position are different because:	
Capitalized assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. However, the statement of net position includes those assets as capital assets.	3,423,421
Deferred outflows of resources used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. However, the statement of net position includes those deferred outflows of resources.	558,892
Long-term liabilities applicable to the District are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities' both current and long-term, are reported in the statement of net position as follows:	
Accrued interest payable	(2,644)
Compensated absences	(85,265)
Notes payable	(818,832)
Net pension liability	(1,008,705)
Deferred inflows of resources used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. However, the statement of net position includes those deferred inflows of resources.	<u>(74,761)</u>
Total adjustments	<u>1,992,106</u>
<b>Net Position of Governmental Activities</b>	<u><u>\$ 5,015,599</u></u>

**STALLION SPRINGS COMMUNITY SERVICES DISTRICT**

*Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds  
For the Fiscal Year Ended June 30, 2023*

	<u>General Government</u>	<u>Parks and Recreation</u>	<u>Public Safety</u>	<u>Roads</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>					
Taxes:					
Property taxes	\$ 391,304	\$ 200,000	\$ 480,000	\$ -	\$ 1,071,304
Special assessments	1,636	-	119,115	334,516	455,267
Charges for services	30,471	122,250	18,275	10,709	181,705
Federal and state aid	-	-	165,271	-	165,271
Investment earnings	27,710	(4,133)	9,933	5,661	39,171
<b>Total revenues</b>	<u>451,121</u>	<u>318,117</u>	<u>792,594</u>	<u>350,886</u>	<u>1,912,718</u>
<b>Expenditures:</b>					
Current:					
Salaries and benefits	109,947	126,808	616,650	114,176	967,581
Materials and services	27,236	132,638	122,428	121,993	404,295
Capital outlay	-	6,763	172,051	-	178,814
Debt service:					
Principal	-	-	-	146,444	146,444
Interest	-	-	-	36,198	36,198
<b>Total expenditures</b>	<u>137,183</u>	<u>266,209</u>	<u>911,129</u>	<u>418,811</u>	<u>1,733,332</u>
<b>Change in fund balance</b>	<u>313,938</u>	<u>51,908</u>	<u>(118,535)</u>	<u>(67,925)</u>	<u>179,386</u>
<b>Fund balances:</b>					
Beginning of year	<u>1,991,417</u>	<u>288,363</u>	<u>215,103</u>	<u>349,224</u>	<u>2,844,107</u>
End of year	<u>\$ 2,305,355</u>	<u>\$ 340,271</u>	<u>\$ 96,568</u>	<u>\$ 281,299</u>	<u>\$ 3,023,493</u>

**STALLION SPRINGS COMMUNITY SERVICES DISTRICT**

*Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes  
in Fund Balances to the Statement of Activities*

*For the Fiscal Year Ended June 30, 2023*

---

<b>Net Changes in Fund Balance – Total Governmental Funds</b>	<u>\$ 179,386</u>
Amounts reported for governmental activities in the statement of activities is different because:	
Some expenses reported in the statement of activities do not require the use of current financial resources. Therefore, those expenses are not reported as expenditures in governmental funds as follows:	
Change in accrued interest payable	473
Change in compensated absences	24,567
Change in net pension expense	(35,421)
Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those capitalized assets is allocated over their estimated useful lives as depreciation expense.	
Capital outlay	178,814
Depreciation expense	(383,376)
Repayment of long-term debt is reported as an expenditure in governmental funds. However, principal repayments reduce liabilities in the statement of net position and do not result in expenses in the statement of activities.	<u>146,444</u>
<b>Total adjustments</b>	<u>(68,499)</u>
<b>Change in Net Position of Governmental Activities</b>	<u><u>\$ 110,887</u></u>

## STALLION SPRINGS COMMUNITY SERVICES DISTRICT

### Balance Sheets – Proprietary Funds

June 30, 2023

<u>ASSETS</u>	<u>Water Operations</u>	<u>Sewer Operations</u>	<u>Solid Waste Operations</u>	<u>Total</u>
<b>Current assets:</b>				
Cash and investments	\$ 1,994,047	\$ 588,119	\$ 317,560	\$ 2,899,726
Accrued interest receivable	6	1	-	7
Accounts receivable – services	149,806	46,432	22,260	218,498
<b>Total current assets</b>	<b>2,143,859</b>	<b>634,552</b>	<b>339,820</b>	<b>3,118,231</b>
<b>Non-current assets:</b>				
Capital assets – not being depreciated	808,000	-	-	808,000
Capital assets – being depreciated, net	3,553,691	657,326	114,041	4,325,058
<b>Total non-current assets</b>	<b>4,361,691</b>	<b>657,326</b>	<b>114,041</b>	<b>5,133,058</b>
<b>Total assets</b>	<b>6,505,550</b>	<b>1,291,878</b>	<b>453,861</b>	<b>8,251,289</b>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>				
Pension related deferred outflows of resources	167,194	46,658	-	213,852
<b>Total deferred outflows of resources</b>	<b>167,194</b>	<b>46,658</b>	<b>-</b>	<b>213,852</b>
<b>Total assets and deferred outflows of resources</b>	<b>\$ 6,672,744</b>	<b>\$ 1,338,536</b>	<b>\$ 453,861</b>	<b>\$ 8,465,141</b>
<b><u>LIABILITIES</u></b>				
<b>Current liabilities:</b>				
Accounts payable and accrued expenses	\$ 38,891	\$ 20,961	\$ 7,001	\$ 66,853
Accrued interest payable	22,689	6,221	-	28,910
Compensated absences	13,613	8,169	-	21,781
Notes payable	306,266	11,770	-	318,036
<b>Total current liabilities</b>	<b>381,459</b>	<b>47,121</b>	<b>7,001</b>	<b>435,580</b>
<b>Non-current liabilities:</b>				
Compensated absences	25,280	15,170	-	40,451
Notes payable	1,444,844	454,687	-	1,899,531
Net pension liability	341,907	95,416	-	437,323
<b>Total non-current liabilities</b>	<b>1,812,031</b>	<b>565,273</b>	<b>-</b>	<b>2,377,305</b>
<b>Total liabilities</b>	<b>2,193,490</b>	<b>612,394</b>	<b>7,001</b>	<b>2,812,885</b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>				
Pension related deferred inflows of resources	14,692	4,100	-	18,792
<b>Total deferred inflows of resources</b>	<b>14,692</b>	<b>4,100</b>	<b>-</b>	<b>18,792</b>
<b><u>NET POSITION</u></b>				
Net investment in capital assets	2,610,581	190,869	114,041	2,915,491
Unrestricted	1,853,981	531,173	332,819	2,717,973
<b>Total net position</b>	<b>4,464,562</b>	<b>722,042</b>	<b>446,860</b>	<b>5,633,464</b>
<b>Total liabilities, deferred inflows of resources and net position</b>	<b>\$ 6,672,744</b>	<b>\$ 1,338,536</b>	<b>\$ 453,861</b>	<b>\$ 8,465,141</b>

## STALLION SPRINGS COMMUNITY SERVICES DISTRICT

### Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund For the Fiscal Year Ended June 30, 2023

	Water Operations	Sewer Operations	Solid Waste Operations	Total
<b>Operating revenues:</b>				
Water consumption sales	\$ 1,096,448	\$ -	\$ -	\$ 1,096,448
Sewer service charges	-	372,091	-	372,091
Solid waste collection charges	-	-	188,367	188,367
Special assessments	86,071	9,201	-	95,272
Other charges for services	-	143	-	143
<b>Total operating revenues</b>	<b>1,182,519</b>	<b>381,435</b>	<b>188,367</b>	<b>1,752,321</b>
<b>Operating expenses:</b>				
Operations	1,068,309	410,697	171,225	1,650,231
<b>Total operating expenses</b>	<b>1,068,309</b>	<b>410,697</b>	<b>171,225</b>	<b>1,650,231</b>
Operating income before depreciation	114,210	(29,262)	17,142	102,090
Depreciation expense	(478,803)	(45,228)	(23,435)	(547,466)
<b>Operating income(loss)</b>	<b>(364,593)</b>	<b>(74,490)</b>	<b>(6,293)</b>	<b>(445,376)</b>
<b>Non-operating revenue(expense):</b>				
Investment earnings	50,640	12,793	941	64,374
Interest expense	(68,118)	(14,958)	-	(83,076)
<b>Total non-operating, net</b>	<b>(17,478)</b>	<b>(2,165)</b>	<b>941</b>	<b>(18,702)</b>
<b>Capital contributions:</b>				
Connection fees	69,040	-	-	69,040
<b>Total capital contributions</b>	<b>69,040</b>	<b>-</b>	<b>-</b>	<b>69,040</b>
<b>Change in net position</b>	<b>(313,031)</b>	<b>(76,655)</b>	<b>(5,352)</b>	<b>(395,038)</b>
<b>Net position:</b>				
Beginning of year	4,777,593	798,697	452,212	6,028,502
End of year	<b>\$ 4,464,562</b>	<b>\$ 722,042</b>	<b>\$ 446,860</b>	<b>\$ 5,633,464</b>

## STALLION SPRINGS COMMUNITY SERVICES DISTRICT

### Statement of Cash Flows – Proprietary Fund

For the Fiscal Year Ended June 30, 2023

	<u>Water Operations</u>	<u>Sewer Operations</u>	<u>Solid Waste Operations</u>	<u>Total</u>
<b>Cash flows from operating activities:</b>				
Cash receipts from customers and others	\$ 1,181,929	\$ 374,787	\$ 187,629	\$ 1,744,345
Cash paid to employees for salaries and benefits	(638,154)	(160,941)	(31,969)	(831,064)
Cash paid to vendors and suppliers	(456,542)	(237,283)	(141,449)	(835,274)
<b>Net cash provided by (used in) operating activities</b>	<u>87,233</u>	<u>(23,437)</u>	<u>14,211</u>	<u>78,007</u>
<b>Cash flows from capital and related financing activities:</b>				
Acquisition and construction of capital assets	(87,171)	(37,630)	-	(124,801)
Proceeds from capital contributions	69,040	-	-	69,040
Principal payments on notes payable	(295,901)	(11,405)	-	(307,306)
Interest payments on notes payable	(71,660)	(15,109)	-	(86,769)
<b>Net cash used in capital/financing activities</b>	<u>(385,692)</u>	<u>(64,144)</u>	<u>-</u>	<u>(449,836)</u>
<b>Cash flows from investing activities:</b>				
Investment earnings	51,297	12,920	966	65,183
<b>Net cash provided by investing activities</b>	<u>51,297</u>	<u>12,920</u>	<u>966</u>	<u>65,183</u>
<b>Net increase(decrease) in cash</b>	<u>(247,162)</u>	<u>(74,661)</u>	<u>15,177</u>	<u>(306,646)</u>
<b>Cash and cash equivalents:</b>				
Beginning of year	2,241,209	662,780	302,383	3,206,372
End of year	<u>\$ 1,994,047</u>	<u>\$ 588,119</u>	<u>\$ 317,560</u>	<u>\$ 2,899,726</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>				
<b>Operating income(loss)</b>	<u>\$ (364,593)</u>	<u>\$ (74,490)</u>	<u>\$ (6,293)</u>	<u>\$ (445,376)</u>
<b>Adjustments to reconcile operating income to net cash provided by operating activities:</b>				
Depreciation expense	478,803	45,228	23,435	547,466
<b>Changes in account balances:</b>				
(Increase)decrease in assets:				
Accounts receivable – services	(590)	(6,648)	(738)	(7,976)
(Increase)decrease in deferred outflows of resources	(92,150)	(25,717)	-	(117,867)
Increase(decrease) in liabilities:				
Accounts payable and accrued expenses	(10,098)	10,019	(2,193)	(2,272)
Compensated absences	259	7,073	-	7,332
Net pension liability	195,926	54,677	-	250,603
Increase(decrease) in deferred inflows of resources	(120,324)	(33,579)	-	(153,903)
<b>Total adjustments</b>	<u>451,826</u>	<u>51,053</u>	<u>20,504</u>	<u>523,383</u>
<b>Net cash provided by (used in) operating activities</b>	<u>\$ 87,233</u>	<u>\$ (23,437)</u>	<u>\$ 14,211</u>	<u>\$ 78,007</u>

# STALLION SPRINGS COMMUNITY SERVICES DISTRICT

## Notes to Financial Statements

June 30, 2023

---

### NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

#### A. Description of Organization

The Stallion Springs Community Services District (District) serves as the local government for Stallion Springs. The District is similar to a city government, supplying such services as police protection, parks and recreation, potable water, road maintenance, wastewater treatment, and solid waste disposal. The District exists under California State law governing special districts (Government Code, Sec 61000 et. seq.). The District was established by resolution of Kern County Board of Supervisors for the purpose of providing infrastructure services for the newly developing community of Stallion Springs. The District is governed by a five-member Board of Directors who serve four-year terms and are elected at large. The directors entrust the responsibility for the efficient execution of District policies to their designated representative, the General Manager.

The criteria used in determining the scope of the financial reporting entity is based on the provisions of Governmental Accounting Statements No. 61, The Financial Reporting Entity. The District is the primary governmental unit based on the foundation of a separately elected governing board that is elected by the citizens in a general popular election. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The District is financially accountable if it appoints a voting majority of the organization's governing body and: 1) It is able to impose its will on that organization, or 2) There is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. The District has no component units as of year-end.

#### B. Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, and agencies that are not legally separate from the District.

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete.

The District has identified no organizations that are required to be reported as component units.

#### C. Basis of Presentation, Basis of Accounting

##### 1. Basis of Presentation

###### Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the primary government (the District) and its component units. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.



# STALLION SPRINGS COMMUNITY SERVICES DISTRICT

## Notes to Financial Statements

June 30, 2023

---

### NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

#### C. Basis of Presentation, Basis of Accounting (continued)

##### 1. Basis of Presentation (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 (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

##### **Fund Financial Statements**

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and the major individual enterprise funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the 'current financial resources' measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers tax revenues to be available if they are collected within 60 days of the end of the current fiscal year and other revenues when collected within one year of the end of the current fiscal year. Expenditures are generally recorded when a liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due. The primary revenue sources susceptible to accrual are property taxes, charges for services, and interest associated with the current fiscal period and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

##### **Major Governmental Funds**

The District maintains the following major governmental funds:

**General Fund:** This fund is used to account for all financial resources of the District, except those required to be accounted for in another fund when necessary.

**Park and Recreation Fund:** This fund is used to account for all park and recreation activity within the District's service area.

**Public Safety Fund:** This fund is used to account for all public safety (police services) within the District's service area.

**Roads Fund:** This fund is used to account for the revenues received from property assessments and expenditures incurred to maintain and operate the roads within the District's service area.

# STALLION SPRINGS COMMUNITY SERVICES DISTRICT

## Notes to Financial Statements

June 30, 2023

---

### NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

#### C. Basis of Presentation, Basis of Accounting (continued)

##### 1. Basis of Presentation (continued)

###### Enterprise Funds

**Water Fund:** This fund accounts for the water transmission and distribution operations of the District.

**Wastewater Fund:** This fund accounts for the wastewater operations of the District.

**Solid Waste Fund:** This fund accounts for the solid waste collection and disposal operations of the District.

##### 2. Measurement Focus, Basis of Accounting

###### Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year in which all eligibility requirements have been satisfied.

###### Governmental Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and financing from capital leases are reported as other financing sources.

##### 3. Revenues - Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year. Generally, available is defined as collectible within 60 days.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose requirements. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

# STALLION SPRINGS COMMUNITY SERVICES DISTRICT

## Notes to Financial Statements

June 30, 2023

---

### NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

#### D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position

##### 1. Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all highly liquid investments with a maturity of three months or less, when purchased, to be cash equivalents. Cash deposits are reported at carrying amount, which reasonably estimates fair value.

##### 2. Investments

Investments are reported at fair value except for short-term investments, which are reported at cost, which approximates fair value. Cash deposits are reported at carrying amount, which reasonably estimates fair value. Investments in governmental investment pools are reported at fair value based on the fair value per share of the pool's underlying portfolio.

In accordance with fair value measurements, the District categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement.

Financial assets and liabilities recorded on the balance sheet are categorized based on the inputs to the valuation techniques as follows:

*Level 1* – Inputs that reflect unadjusted quoted prices in active markets for identical investments, such as stocks, corporate and government bonds. The District has the ability to access the holding and quoted prices as of the measurement date.

*Level 2* – Inputs, other than quoted prices, that are observable for the asset or liability either directly or indirectly, including inputs from markets that are not considered to be active.

*Level 3* – Inputs that are unobservable. Unobservable inputs reflect the District's own assumptions about the factors market participants would use in pricing an investment, and is based on the best information available in the circumstances.

##### 3. Receivables - Services

The District extends credit to customers in the normal course of operations. Management views all accounts receivable as collectible and has not recorded an allowance for doubtful accounts.

##### 4. Prepaid Items

Certain payments to vendors reflect costs or deposits applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

# STALLION SPRINGS COMMUNITY SERVICES DISTRICT

## Notes to Financial Statements

June 30, 2023

---

### NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

#### D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

##### 5. Capital Assets

Capital assets are stated at cost or at their estimated fair value at date of donation. It is the District's policy to capitalize assets costing over \$5,000. The provision for depreciation is computed using the straight-line method over the estimated service lives of the capital assets.

Estimated service lives for the District's classes of assets are as follows:

Description	Estimated Lives
Buildings and improvements	20-30 years
Community center	40 years
Infrastructure, streets and roads	20-40 years
Transmission and distribution systems	10-40 years
Collection systems	10-50 years
Vehicles and equipment	3-10 years

##### 6. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports 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 (expense/expenditure) until then. The District has no items that qualify for reporting in this category.

In addition to liabilities, the statement of net position reports 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 will not be recognized as an inflow of resources (revenue) until that time. The District has no items that qualify for reporting in this category.

##### 7. Compensated Absences

The liability for compensated absences reported in the government-wide statements consists of unpaid, accumulated annual and vacation leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

##### 8. 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 and addition 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.

# STALLION SPRINGS COMMUNITY SERVICES DISTRICT

## Notes to Financial Statements

June 30, 2023

---

### NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

#### D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

##### 8. Pensions (continued)

The following timeframes are used for pension reporting:

Valuation Date June 30, 2021

Measurement Date June 30, 2022

Measurement Period July 1, 2021 to June 30, 2022

##### 9. Net Position

Net position is classified into two components: net investment in capital assets and unrestricted. These classifications are defined as follows:

- **Net investment in capital assets** - This component of net position 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. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- **Unrestricted net position** - This component of net position consists of net position that does not meet the definition of "net investment in capital assets."

##### 10. Fund Balances

The fund balance for governmental funds is reported in classifications based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

**Committed:** The District's highest decision-making level of authority rests with the District's Board. Fund balance is reported as committed when the Board passes a resolution that places specified constraints on how resources may be used. The Board can modify or rescind a commitment of resources through passage of a new resolution.

**Assigned:** Resources that are constrained by the District's intent to use them for a specific purpose, but are neither restricted nor committed, are reported as assigned fund balance. Intent may be expressed by either the Board, committees (such as budget or finance), or officials to which the Board has delegated authority.

**Unassigned:** Unassigned fund balance represents fund balance that has not been restricted, committed, or assigned and may be utilized by the District for any purpose. When expenditures are incurred, and both restricted and unrestricted resources are available, it is the District's policy to use restricted resources first, then unrestricted resources in the order of committed, assigned, and then unassigned, as they are needed.

# STALLION SPRINGS COMMUNITY SERVICES DISTRICT

## Notes to Financial Statements

June 30, 2023

---

### NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

#### E. Minimum Fund Balance Policy

The District believes that sound financial management principles require that sufficient funds be retained by the District to provide a stable financial base at all times. To retain this stable financial base, the District needs to maintain an unrestricted fund balance in its funds sufficient to fund cash flows of the District and to provide financial reserves for unanticipated expenditures and/or revenue shortfalls of an emergency nature. Committed, assigned, and unassigned fund balances are considered unrestricted.

The purpose of the District's fund balance policy is to maintain a prudent level of financial resources to protect against reducing service levels or raising taxes and fees because of temporary revenue shortfalls or unpredicted one-time expenditures.

#### F. Use of Estimates

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

#### G. Property Taxes

Property taxes attach as an enforceable lien on property as of January 1, each year. Secured property taxes are levied on July 1 and are payable in two installments, on December 10 and April 10. The County of Kern County Assessor's Office assesses all real and personal property within the County each year. Property tax in California is levied in accordance with Article 13A of the State Constitution at one (1%) of countywide assessed valuations. The Kern County Treasurer's Office remits an undisclosed portion of the one (1%) current and delinquent property tax collections to the District throughout the year.

The property tax calendar is as follows:

Lien date January 1  
Levy date July 1  
Due dates November 1 and February 1  
Collection dates December 10 and April 10

### NOTE 2 – CASH AND INVESTMENTS

Cash and investments at June 30, 2023, consisted of the following:

<u>Description</u>	<u>Balance</u>
Cash on hand	\$ 900
Deposits held with financial institutions	345,008
Kern County Treasury Investment Pool (KCTIP)	5,652,918
Total	<u>\$ 5,998,826</u>

#### Demand Deposits

At June 30, 2023, the carrying amount of the District's demand deposits were \$345,008 and the financial institution's balance was \$385,601. The net difference represents outstanding checks, deposits-in-transit and/or other reconciling items.

# STALLION SPRINGS COMMUNITY SERVICES DISTRICT

## Notes to Financial Statements

June 30, 2023

---

### NOTE 2 – CASH AND INVESTMENTS (continued)

#### Demand Deposits (continued)

The California Government Code requires California banks and savings and loan associations to secure an entity's deposits by pledging government securities with a value of 110% of an entity's deposits. California law also allows financial institutions to secure entity deposits by pledging first trust deed mortgage notes having a value of 150% of an entity's total deposits. The entity's Treasurer may waive the collateral requirement for deposits which are fully insured upto \$250,000 by the FDIC.

The collateral for deposits in federal and state chartered banks is held in safekeeping by an authorized agent of depository recognized by the State of California Department of Banking. The collateral for deposits with savings and loan associations is generally held in safekeeping by the Federal Home Loan Bank in San Francisco, California as an agent of depository. These securities are physically held in an undivided pool for all California public agency depositors. Under Government Code Section 53655, the placement of securities by a bank or savings and loan association with an agent of depositor has the effect of perfecting the security interest in the name of the local governmental agency. Accordingly, all collateral held by California agents of depository are considered to be held for, and in the name of, the local government.

#### Custodial Credit Risk

The custodial credit risk for *deposits* is the risk that in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's investment policy requires that collateral be held by an independent third party with whom the District has a current custodial agreement.

The custodial credit risk for *investments* is the risk that in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The District's investment policy requires that all security transactions are conducted on a delivery-versus-payment (DVP) method and that all securities are held by a qualified, third-party custodian, as evidenced by safekeeping receipts. The trust department of the District's bank may act as third-party custodian, provided that the custodian agreement is separate from the banking agreement. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as KCTIP).

#### Investments

Investments as of June 30, 2023 consisted of the following:

Type of Investments	Measurement Focus	Fair Value	Maturity
			12 Months or Less
Kern County Treasury Investment Pool	Level 2	\$ 5,652,918	\$ 5,652,918
<b>Total investments</b>		<u>\$ 5,652,918</u>	<u>\$ 5,652,918</u>

# STALLION SPRINGS COMMUNITY SERVICES DISTRICT

## Notes to Financial Statements

June 30, 2023

---

### NOTE 2 – CASH AND INVESTMENTS (continued)

#### Authorized Investments and Investment Policy

The District has adopted an investment policy directing the Fiscal Officer to deposit funds in the following investments:

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Kern County Treasury Investment Pool	None	None	None
Money Market Mutual Funds	N/A	None	None

#### County of Kern Treasury Investment Pool

The District is a voluntary participant in the Kern County Treasury Investment Pool (KCTIP) pursuant to Government Code Section 53694. KCTIP is subject to regulatory oversight by the Kern County Treasury Oversight Committee, as required by California government Code Section 27143. The cash flow needs of participants are monitored daily to ensure that sufficient liquidity is maintained to meet the needs of those participants. At the time deposits are made, the Kern County Investment Pool's Treasurer may require the depositing entity to provide annual cash flow projections or an anticipated withdrawal schedule for deposits in excess of \$1 million. Projections are performed no less than semi-annually. In accordance with Government Code Section 27136, all request for withdrawal of funds for the purpose of investing or deposits the funds elsewhere shall be evaluated to ensure the proposed withdrawal will not adversely affect the principal deposits of the other participants. Pool detail may be obtained from the County of Kern Treasurer's Office - 1115 Truxtun Avenue, 2nd Floor, Bakersfield, CA 93301 or the Treasurer and Tax Collector's website at [www.kcttc.co.kern.ca.us](http://www.kcttc.co.kern.ca.us).

The Kern County Treasurer has indicated to the District that as of June 30, 2023, the value of the County's portfolio approximated \$6.34 billion and the portfolio holds no derivative products. The District's investment with the Kern County Treasurer's Office as of June 30, 2023 was \$5,652,918. KCTIP's fair value factor of 0.96266458% as of June 30, 2023 was used to calculate the fair value of the investments in the KCTIP.

#### Fair Value Measurement Input

The District categorizes its fair value measurement inputs within the fair value hierarchy established by generally accepted accounting principles. The District has presented its measurement inputs as noted in the table above.

#### 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. As of June 30, 2023, the District's investment in the KCTIP was rated by Standard & Poor's as Aa2 as noted in the table above.

#### Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the fair values of investments with longer maturities have greater sensitivity to changes in market interest rates. The District's investment policy follows the Code as it relates to limits on investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates. The District has elected to use the segmented time distribution method of disclosure for the maturities of its investments as related to interest rate risk as noted in the table above.



## STALLION SPRINGS COMMUNITY SERVICES DISTRICT

### Notes to Financial Statements

June 30, 2023

---

#### NOTE 2 – CASH AND INVESTMENTS (continued)

##### Concentration of Credit Risk

The District's investment policy contains no limitations on the amount that can be invested in any one governmental agency or non-governmental issuer beyond that stipulated by the California Government Code. There were no investments in any one governmental or non-governmental issuer that represented 5% or more of the District's total investments except for those in the KCTIP.

#### NOTE 3 – CAPITAL ASSETS

##### Governmental Activities

Changes in capital assets for governmental activities for the year were as follows:

	<u>Balance July 1, 2022</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance June 30, 2023</u>
Non-depreciable assets:				
Land	\$ 73,657	\$ -	\$ -	\$ 73,657
Total non-depreciable assets	<u>73,657</u>	<u>-</u>	<u>-</u>	<u>73,657</u>
Depreciable assets:				
Buildings and improvements	1,267,775	6,763	(74,149)	1,200,389
Community center	2,099,105	-	-	2,099,105
Infrastructure, streets and roads	8,718,473	-	(6,619,233)	2,099,240
Vehicles and equipment	<u>1,272,808</u>	<u>172,051</u>	<u>(853,130)</u>	<u>591,729</u>
Total depreciable assets	<u>13,358,161</u>	<u>178,814</u>	<u>(7,546,512)</u>	<u>5,990,463</u>
Accumulated depreciation:				
Buildings and improvements	(517,476)	(44,238)	74,149	(487,565)
Community center	(734,179)	(57,056)	-	(791,235)
Infrastructure, streets and roads	(7,518,839)	(213,571)	6,619,233	(1,113,177)
Vehicles and equipment	<u>(1,033,341)</u>	<u>(68,511)</u>	<u>853,130</u>	<u>(248,722)</u>
Total accumulated depreciation	<u>(9,803,835)</u>	<u>(383,376)</u>	<u>7,546,512</u>	<u>(2,640,699)</u>
Total depreciable assets, net	<u>3,554,326</u>	<u>(204,562)</u>	<u>-</u>	<u>3,349,764</u>
Total capital assets, net	<u>\$ 3,627,983</u>	<u>\$ (204,562)</u>	<u>\$ -</u>	<u>\$ 3,423,421</u>

## STALLION SPRINGS COMMUNITY SERVICES DISTRICT

### Notes to Financial Statements

June 30, 2023

#### NOTE 3 – CAPITAL ASSETS (continued)

##### Governmental Activities (continued)

Depreciation expense was charged to governmental activities as follows:

<u>Depreciation Expense per Fund</u>	
General government	\$ 43,738
Parks and recreation	66,330
Public safety	46,625
Roads	<u>226,683</u>
Total	<u>\$ 383,376</u>

##### Business-Type Activities and Proprietary Funds

Changes in capital assets for business-type activities for the year were as follows:

	<u>Balance July 1, 2022</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance June 30, 2023</u>
Non-depreciable assets:				
Land	\$ 808,000	\$ -	\$ -	\$ 808,000
Total non-depreciable assets	<u>808,000</u>	<u>-</u>	<u>-</u>	<u>808,000</u>
Depreciable assets:				
Water transmission and distribution	8,829,032	87,171	(238,073)	8,678,130
Wastewater collection	2,049,135	-	(1,252,906)	796,229
Solid waste collection	243,104	-	(89,783)	153,321
Vehicles and equipment	<u>336,718</u>	<u>37,630</u>	<u>(178,043)</u>	<u>196,305</u>
Total depreciable assets	<u>11,457,989</u>	<u>124,801</u>	<u>(1,758,805)</u>	<u>9,823,985</u>
Accumulated depreciation:				
Water transmission and distribution	(4,958,485)	(464,533)	238,073	(5,184,945)
Wastewater collection	(1,384,210)	(37,703)	1,252,906	(169,007)
Solid waste collection	(135,779)	(15,332)	89,783	(61,328)
Vehicles and equipment	<u>(231,792)</u>	<u>(29,898)</u>	<u>178,043</u>	<u>(83,647)</u>
Total accumulated depreciation	<u>(6,710,266)</u>	<u>(547,466)</u>	<u>1,758,805</u>	<u>(5,498,927)</u>
Total depreciable assets, net	<u>4,747,723</u>	<u>(422,665)</u>	<u>-</u>	<u>4,325,058</u>
Total capital assets, net	<u>\$ 5,555,723</u>	<u>\$ (422,665)</u>	<u>\$ -</u>	<u>\$ 5,133,058</u>

**STALLION SPRINGS COMMUNITY SERVICES DISTRICT**

*Notes to Financial Statements*

*June 30, 2023*

---

**NOTE 4 – COMPENSATED ABSENCES**

Compensated absences comprise unpaid vacation leave, sick leave and compensating time off which is accrued as earned. The District's liability for compensated absences is determined annually. Years of service: 0-5 years = 2 weeks, 6-10 years = 3 weeks, more than 10 years = 4 weeks.

- The District's obligation relating to employee's rights to receive compensation for future absences is attributable to employees' services already rendered.
- The obligation related to rights that vest or accumulate.
- Payment of the compensation is probable.
- The amount can be reasonably estimated.

The changes to the compensated absences balance at June 30, 2023 were as follows:

<b>Balance July 1, 2022</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2023</b>	<b>Current Portion</b>	<b>Long-term Portion</b>
\$ 164,732	\$ 96,418	\$ (113,653)	\$ 147,497	\$ 51,624	\$ 95,873

**NOTE 5 – NOTES PAYABLE**

Changes in the notes payables amounts for the fiscal year ended June 30, 2023 were as follows:

	<b>Balance July 1, 2022</b>	<b>Additions</b>	<b>Payments</b>	<b>Balance June 30, 2023</b>
<b>Governmental-activities:</b>				
<b>Road fund:</b>				
Road project note	\$ 965,276	\$ -	\$ (146,444)	\$ 818,832
<b>Business-type activities:</b>				
<b>Water fund:</b>				
Bornt property and well note	1,474,280	-	(188,365)	1,285,915
AMI meter project note	572,731	-	(107,536)	465,195
<b>Sewer fund:</b>				
Lift station project note	477,862	-	(11,405)	466,457
Total	3,490,149	\$ -	\$ (453,750)	3,036,399
Less: current portion due	(453,750)			(469,972)
Long-term portion due	\$ 3,036,399			\$ 2,566,427

## STALLION SPRINGS COMMUNITY SERVICES DISTRICT

### Notes to Financial Statements

June 30, 2023

---

#### NOTE 5 – NOTES PAYABLE (continued)

##### Governmental Activities

###### **2018 Road Installment Note Payable**

On May 30, 2018, the District signed an installment agreement note payable for \$1,500,000 with the Municipal Finance Corporation in order to perform road improvements within the District. The note is scheduled to mature in fiscal year 2028. Principal and interest annual installments of \$182,642 are payable on May 30th of each year at a rate of 3.75%. Annual debt service requirements on the note are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 151,936	\$ 30,706	\$ 182,642
2025	157,633	25,009	182,642
2026	163,545	19,097	182,642
2027	169,678	12,964	182,642
2028	176,040	6,602	182,642
Totals	818,832	\$ 94,378	\$ 913,210
Less: current	<u>(151,936)</u>		
Long-term	<u>\$ 666,896</u>		

##### Business-type Activities

###### **2019 Bornt Property and Well Installment Note**

On December 18, 2019, the District signed an installment agreement note payable for \$2,000,000 with the Municipal Finance Corporation in order to purchase a parcel of land with a building and well on the property. The note is scheduled to mature in fiscal year 2029. Principal and interest annual installments of \$242,913 are payable on January 28th of each year at a rate of 3.70%. Annual debt service requirements on the note are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 195,334	\$ 47,579	\$ 242,913
2025	202,562	40,351	242,913
2026	210,056	32,857	242,913
2027	217,829	25,084	242,913
2028	225,888	17,025	242,913
2029	234,246	8,667	242,913
Totals	1,285,915	\$ 171,563	\$ 1,457,478
Less: current	<u>(195,334)</u>		
Long-term	<u>\$ 1,090,581</u>		

**STALLION SPRINGS COMMUNITY SERVICES DISTRICT**

*Notes to Financial Statements*

June 30, 2023

**NOTE 5 – NOTES PAYABLE (continued)**

**Business-type Activities (continued)**

**2021 Lift Station Project**

On January 1, 2021, the District signed an installment agreement note payable for \$510,000 with iBank in order to provide funding for the District’s lift station project. The note is scheduled to mature in fiscal year 2049. Principal installments are payable on August 1st and interest installments are payable on August 1<sup>st</sup> and February 1<sup>st</sup> of each year at a rate of 3.20%. Annual debt service requirements on the note are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Annual Fee</u>	<u>Total</u>
2024	\$ 11,770	\$ 14,738	\$ 1,399	27,907
2025	12,147	14,356	1,364	27,867
2026	12,536	13,961	1,328	27,825
2027	12,937	13,553	1,290	27,780
2028	13,351	13,133	1,251	27,735
2029-2033	73,443	58,867	5,629	137,939
2034-2038	85,970	46,139	4,454	136,563
2039-2043	100,634	31,241	3,080	134,955
2044-2048	117,800	13,800	1,470	133,070
2049	25,869	414	78	26,361
Totals	466,457	\$ 220,202	\$ 21,343	\$ 708,002
Less: current	(11,770)			
Long-term	\$ 454,687			

**2022 AMI Meter Project**

In 2022, the District executed a lease purchase agreement note payable for \$701,500 in order to provide funding for the District’s AMI meter project. The note is scheduled to mature in fiscal year 2027. Principal and interest installments are payable on November 1<sup>st</sup> and May 1<sup>st</sup> of each year at a rate of 3.134%. Annual debt service requirements on the note are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 110,932	\$ 13,716	124,648
2025	114,436	10,212	124,648
2026	118,050	6,598	124,648
2027	121,777	2,871	124,648
Totals	465,195	\$ 33,397	\$ 498,592
Less: current	(110,932)		
Long-term	\$ 354,263		

**STALLION SPRINGS COMMUNITY SERVICES DISTRICT**

*Notes to Financial Statements*

*June 30, 2023*

---

**NOTE 6 – NET PENSION LIABILITY AND PENSION PLAN**

**Summary**

The following total balances on the statement of net position will be addressed in this footnote as follows:

<u>Description</u>	<u>Miscellaneous Plans</u>	<u>Safety Plans</u>	<u>Total</u>
Pension related deferred outflows	\$ 388,822	\$ 383,922	\$ 772,744
Net pension liability	795,133	650,895	1,446,028
Pension related deferred inflows	34,171	59,382	93,553

Qualified employees are covered under a multiple-employer defined benefit pension plan maintained by agencies of the State of California known as the California Public Employees' Retirement System (CalPERS), or "The Plan".

**A. General Information about the Pension Plan**

**The Plans**

The District has engaged with CalPERS to administer the following pension plans for its employees (members):

	<u>Miscellaneous Plans</u>	
	<u>Classic Tier 1</u>	<u>PEPRA Tier 2</u>
Hire date	Prior to <u>January 1, 2013</u>	On or after <u>January 1, 2013</u>
Benefit formula	2.0% @ 60	2.0% @ 62
Benefit vesting schedule	5-years or service monthly for life	5-years or service monthly for life
Benefits payments	50 - 67 & up	52 - 67 & up
Retirement age	1.0% to 2.0%	1.0% to 2.0%
Monthly benefits, as a % of eligible compensation	7.000%	6.750%
Required member contribution rates	8.650%	7.590%
Required employer contribution rates		

**STALLION SPRINGS COMMUNITY SERVICES DISTRICT**

*Notes to Financial Statements*

*June 30, 2023*

**NOTE 6 – NET PENSION LIABILITY AND PENSION PLAN (continued)**

**A. General Information about the Pension Plan (continued)**

**The Plans (continued)**

	<b>Safety Plans</b>	
	<b>Classic Tier 1</b>	<b>PEPRA Tier 2</b>
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	3.0% @ 55	2.7% @ 57
Benefit vesting schedule	5-years or service	5-years or service
Benefits payments	monthly for life	monthly for life
Retirement age	50 - 67 & up	52 - 67 & up
Monthly benefits, as a % of eligible compensation	2.4% to 3.0%	2.4% to 3.0%
Required member contribution rates	9.000%	13.000%
Required employer contribution rates	20.640%	13.130%

**Plan Description, Benefits Provided, and Employees Covered**

The District contributes to the California Public Employees’ Retirement System (CalPERS), a cost-sharing multiple-employer defined benefit pension plan. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. A full description of the pension plan, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the June 30, 2022 and 2021 Annual Actuarial Valuation Reports. This report and CalPERS’ audited financial statements are publicly available reports that can be obtained at CalPERS’ website under Forms and Publications.

At June 30, 2022, the following Miscellaneous Plans members were covered by the benefit terms:

<b>Plan Members</b>	<b>Miscellaneous Plans</b>		<b>Total</b>
	<b>Classic Tier 1</b>	<b>PEPRA Tier 2</b>	
Active members	3	6	9
Transferred and terminated members	9	3	12
Retired members and beneficiaries	7	2	9
<b>Total plan members</b>	<b>19</b>	<b>11</b>	<b>30</b>

# STALLION SPRINGS COMMUNITY SERVICES DISTRICT

## Notes to Financial Statements

June 30, 2023

---

### NOTE 6 – NET PENSION LIABILITY AND PENSION PLAN (continued)

#### A. General Information about the Pension Plan (continued)

##### Plan Description, Benefits Provided, and Employees Covered (continued)

At June 30, 2022, the following Safety Plans members were covered by the benefit terms:

Plan Members	Safety Plans		Total
	Classic Tier 1	PEPRA Tier 2	
Active members	1	3	4
Transferred and terminated members	3	2	5
Retired members and beneficiaries	2	-	2
<b>Total plan members</b>	<b>6</b>	<b>5</b>	<b>11</b>

CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. A Classic CalPERS Miscellaneous member becomes eligible for service retirement upon attainment of age 55 with at least 5 years of credited service. Public Employees' Pension Reform Act (PEPRA) Miscellaneous members become eligible for service retirement upon attainment of age 62 with at least 5 years of service. The service retirement benefit is a monthly allowance equal to the product of the benefit factor, years of service, and final compensation. The final compensation is the monthly average of the member's highest 36 full-time equivalent monthly pay. Retirement benefits for Classic Miscellaneous and Safety members are calculated as a percentage of their plan based on the average final 36 months of compensation. Retirement benefits for PEPRA Miscellaneous members are calculated as a percentage of their plan based on the average final 36 months of compensation.

Participant members are eligible for non-industrial disability retirement if they become disabled and have at least 5 years of credited service. There is no special age requirement. The standard non-industrial disability retirement benefit is a monthly allowance equal to 1.8% of final compensation, multiplied by service. Industrial disability benefits are not offered to miscellaneous employees.

A member's beneficiary may receive the basic death benefit if the member dies while actively employed. The member must be actively employed with the District to be eligible for this benefit. A member's survivor who is eligible for any other pre-retirement death benefit may choose to receive that death benefit instead of this basic death benefit. The basic death benefit is a lump sum in the amount of the members' accumulated contributions, where interest is currently credited at 6.90% per year, plus a lump sum in the amount of one month's salary for each completed year of current service, up to a maximum of six months' salary. For purposes of this benefit, one month's salary is defined as the member's average monthly full-time rate of compensation during the 12 months preceding death.

Upon the death of a retiree, a one-time lump sum payment of \$500 will be made to the retiree's designated survivor(s), or to the retiree's estate. Benefit terms provide for annual cost-of-living adjustments to each member's retirement allowance. Beginning the second calendar year after the year of retirement, retirement and survivor allowances will be annually adjusted on a compound basis by 3%.



# STALLION SPRINGS COMMUNITY SERVICES DISTRICT

## Notes to Financial Statements

June 30, 2023

---

### NOTE 6 – NET PENSION LIABILITY AND PENSION PLAN (continued)

#### A. General Information about the Pension Plan (continued)

##### Contribution Description

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers will be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The public agency cost-sharing plans covered by the Miscellaneous risk pool, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of members. For the measurement period ending June 30, 2022 and 2021 (Measurement Dates), the active member contribution rate for the Classic Miscellaneous Plan and the PEPRA Miscellaneous Plan are based above in the Plans Description schedule.

Contributions for the Miscellaneous Plans for the year ended June 30, 2023, were as follows:

Contribution Type	Miscellaneous Plans		Total
	Classic Tier 1	PEPRA Tier 2	
Contributions – employer	\$ 74,962	\$ 42,481	\$ 117,443
Contributions – members	14,639	34,961	49,600
<b>Total contributions</b>	<b>\$ 89,601</b>	<b>\$ 77,442</b>	<b>\$ 167,043</b>

Contributions for the Safety Plans for the year ended June 30, 2023, were as follows:

Contribution Type	Safety Plans		Total
	Classic Tier 1	PEPRA Tier 2	
Contributions – employer	\$ 73,120	\$ 27,555	\$ 100,675
Contributions – members	11,982	25,572	37,554
<b>Total contributions</b>	<b>\$ 85,102</b>	<b>\$ 53,127</b>	<b>\$ 138,229</b>

**STALLION SPRINGS COMMUNITY SERVICES DISTRICT**

*Notes to Financial Statements*

*June 30, 2023*

**NOTE 6 – NET PENSION LIABILITY AND PENSION PLAN (continued)**

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

**Proportionate Share of Net Pension Liability and Pension Expense**

The District’s net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2022, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021, rolled forward to June 30, 2022, using standard update procedures. The District’s proportionate share of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

The following table shows the District’s proportionate share of the risk pool collective net pension liability over the measurement period for the Miscellaneous and Safety Plans for the fiscal year ended June 30, 2022 (Measurement Date):

<u>Plan Type and Balance Descriptions</u>	<u>Plan Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Change in Plan Net Pension Liability</u>
<b>CalPERS – Miscellaneous Plan:</b>			
Balance as of June 30, 2021 (Measurement Date)	\$ 3,018,647	\$ 2,679,157	\$ 339,490
Balance as of June 30, 2022 (Measurement Date)	\$ 3,298,994	\$ 2,503,861	\$ 795,133
<b>Change in Plan Net Pension Liability</b>	<u>\$ 280,347</u>	<u>\$ (175,296)</u>	<u>\$ 455,643</u>

<u>Plan Type and Balance Descriptions</u>	<u>Plan Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Change in Plan Net Pension Liability</u>
<b>CalPERS – Safety Plan:</b>			
Balance as of June 30, 2021 (Measurement Date)	\$ 2,476,878	\$ 2,211,064	\$ 265,814
Balance as of June 30, 2022 (Measurement Date)	\$ 2,737,417	\$ 2,086,523	\$ 650,894
<b>Change in Plan Net Pension Liability</b>	<u>\$ 260,539</u>	<u>\$ (124,541)</u>	<u>\$ 385,080</u>

# STALLION SPRINGS COMMUNITY SERVICES DISTRICT

## Notes to Financial Statements

June 30, 2023

---

### NOTE 6 – NET PENSION LIABILITY AND PENSION PLAN (continued)

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

##### Proportionate Share of Net Pension Liability and Pension Expense (continued)

The District's proportionate share percentage of the net pension liability for the Miscellaneous Plans for the June 30, 2022, measurement date was as follows:

<u>CalPERS – Miscellaneous Plan</u>	<u>Percentage Share of Risk Pool</u>		<u>Change Increase/ (Decrease)</u>
	<u>Fiscal Year Ending June 30, 2023</u>	<u>Fiscal Year Ending June 30, 2022</u>	
Measurement Date	June 30, 2022	June 30, 2021	
Percentage of Risk Pool Net Pension Liability	0.016993%	0.017879%	-0.000886%
Percentage of Plan (PERF C) Net Pension Liability	0.006884%	0.006277%	0.000607%

The District's proportionate share percentage of the net pension liability for the Safety Plans for the June 30, 2022, measurement date was as follows:

<u>CalPERS – Safety Plan</u>	<u>Percentage Share of Risk Pool</u>		<u>Change Increase/ (Decrease)</u>
	<u>Fiscal Year Ending June 30, 2023</u>	<u>Fiscal Year Ending June 30, 2022</u>	
Measurement Date	June 30, 2022	June 30, 2021	
Percentage of Risk Pool Net Pension Liability	0.009472%	0.007574%	0.001898%
Percentage of Plan (PERF C) Net Pension Liability	0.005635%	0.004915%	0.000720%

For the year ended June 30, 2023, the District recognized pension expense/(credit) in the amounts of \$78,959 for the CalPERS Miscellaneous Plan and \$153,410 for the CalPERS Safety Plan.

## STALLION SPRINGS COMMUNITY SERVICES DISTRICT

### Notes to Financial Statements

June 30, 2023

---

#### NOTE 6 – NET PENSION LIABILITY AND PENSION PLAN (continued)

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

###### *Proportionate Share of Net Pension Liability and Pension Expense (continued)*

At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Account Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions made after the measurement date	\$ 218,118	\$ -
Difference between actual and proportionate share of employer contributions	-	(75,786)
Adjustment due to differences in proportions	116,182	-
Differences between expected and actual experience	42,906	(17,763)
Differences between projected and actual earnings on pension plan investments	248,432	-
Changes in assumptions	147,108	-
<b>Total Deferred Outflows/(Inflows) of Resources</b>	<b>\$ 772,746</b>	<b>\$ (93,549)</b>

The District will recognize \$218,118 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date as a reduction of the net pension liability in the fiscal year ended June 30, 2024.

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 3.8 years.

**STALLION SPRINGS COMMUNITY SERVICES DISTRICT**

*Notes to Financial Statements*

*June 30, 2023*

---

**NOTE 6 – NET PENSION LIABILITY AND PENSION PLAN (continued)**

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

***Proportionate Share of Net Pension Liability and Pension Expense (continued)***

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

<b>Amortization Period</b>	<b>Deferred</b>
<b>Fiscal Year Ended June 30</b>	<b>Outflows/(Inflows)</b>
	<b>of Resources</b>
2024	\$ 136,488
2025	112,176
2026	60,632
2027	151,783
<b>Total</b>	<b>\$ 461,079</b>

***Actuarial Methods and Assumptions Used to Determine Total Pension Liability***

For the measurement period ending June 30, 2022 (the measurement dates), the total pension liability was determined by rolling forward the June 30, 2021, total pension liability, respectively. The June 30, 2022, total pension liabilities were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirement of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	6.90% Net of Pension Plan Investment and Administrative Expenses; includes Inflation
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds. The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.
Post Retirement Benefit Increase	Contract COLA up to 2.30% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.30% thereafter

All other actuarial assumptions used in the June 30, 2021 valuations were based on the results of an actuarial experience study for the years 1997 to 2011.

## STALLION SPRINGS COMMUNITY SERVICES DISTRICT

### Notes to Financial Statements

June 30, 2023

---

#### NOTE 6 – NET PENSION LIABILITY AND PENSION PLAN (continued)

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

###### Long-term Expected Rate of Return

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

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

The table below reflects long-term expected real rate of return by asset class.

<u>Asset Class<sup>1</sup></u>	<u>Assumed Asset Allocation</u>	<u>Real Return<sup>1,2</sup></u>
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%
	<u>100.0%</u>	

<sup>1</sup> An expected inflation of 2.30% is used for this period.

<sup>2</sup> Figures are based on the 2021 Asset Liability Management study.

###### Discount Rate

The discount rate used to measure the total pension liability was 6.90%. 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 statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

###### Subsequent Events

There were no subsequent events that would materially affect the results in this disclosure.

## STALLION SPRINGS COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2023

### NOTE 6 – NET PENSION LIABILITY AND PENSION PLAN (continued)

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

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

The following presents the net pension liability/(asset) of the Plan as of the measurement date, calculated using the discount rate of 6.90%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (5.90%) or 1 percentage-point higher (7.90%) than the current rate:

For the year ended June 30, 2023 for the CalPERS Miscellaneous Plans:

Plan Type	Plan's Net Pension Liability/(Asset)		
	Discount Rate - 1%	Current Discount Rate	Discount Rate + 1%
	5.90%	Rate 6.90%	7.90%
CalPERS – Miscellaneous Plan	\$ 1,244,846	\$ 795,133	\$ 425,131

For the year ended June 30, 2023 for the CalPERS Safety Plans:

Plan Type	Plan's Net Pension Liability/(Asset)		
	Discount Rate - 1%	Current Discount Rate	Discount Rate + 1%
	5.90%	Rate 6.90%	7.90%
CalPERS – Safety Plan	\$ 1,028,928	\$ 650,895	\$ 341,938

##### *Pension Plan Fiduciary Net Position*

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial report and can be obtained from CalPERS' website under Forms and Publications.

### NOTE 7 – NET INVESTMENT IN CAPITAL ASSETS

At June 30, 2023, the net investment in capital assets was calculated as follows:

Description	Governmental Activities	Business-Type Activities	Total
<b>Net investment in capital assets:</b>			
Capital assets – not being depreciated	\$ 73,657	\$ 808,000	\$ 881,657
Capital assets – being depreciated, net	3,349,764	4,325,058	7,674,822
Notes payable – current portion	(151,936)	(318,036)	(469,972)
Notes payable – non-current portion	(666,896)	(1,899,531)	(2,566,427)
<b>Total net investment in capital assets</b>	<b>\$ 2,604,589</b>	<b>\$ 2,915,491</b>	<b>\$ 5,520,080</b>

## STALLION SPRINGS COMMUNITY SERVICES DISTRICT

### Notes to Financial Statements

June 30, 2023

---

#### NOTE 8 – FUND BALANCES

At June 30, 2023, fund balances of the District’s governmental funds were classified as follows:

Description	General Government	Parks and Recreation	Public Safety	Roads	Total Governmental Funds
<b>Committed</b>					
Roads	\$ -	\$ -	\$ -	\$ 281,299	\$ 281,299
Compensated absences	25,910	2,401	56,954	-	85,265
<b>Total committed</b>	25,910	2,401	56,954	281,299	366,564
<b>Assigned:</b>					
Parks and recreation	-	337,870	-	-	337,870
<b>Unassigned</b>	2,279,445	-	39,614	-	2,319,059
<b>Total fund balance</b>	<u>\$ 2,305,355</u>	<u>\$ 340,271</u>	<u>\$ 96,568</u>	<u>\$ 281,299</u>	<u>\$ 3,023,493</u>

#### NOTE 9 – DEFERRED COMPENSATION SAVINGS PLAN

For the benefit of its employees, the District participates in a 457 Deferred Compensation Program. The purpose of this Program is to provide deferred compensation for public employees that elect to participate in the Program. Generally, eligible employees may defer receipt of a portion of their salary until termination, retirement, death or unforeseeable emergency. Until the funds are paid or otherwise made available to the employee, the employee is not obligated to report the deferred salary for income tax purposes.

Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of the participants. Accordingly, the District is in compliance with this legislation. Therefore, these assets are not the legal property of the District, and are not subject to claims of the District’s general creditors.

The District has implemented GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. Since the District has little administrative involvement and does not perform the investing function for this plan, the assets and related liabilities are not shown on the statement of net position.



# STALLION SPRINGS COMMUNITY SERVICES DISTRICT

## Notes to Financial Statements

June 30, 2023

---

### NOTE 10 – RISK MANAGEMENT

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

The District is a member of the Special District Risk Management Authority (SDRMA), an intergovernmental risk sharing joint powers authority created to provide self-insurance programs for California special districts. The purpose of the SDRMA is to arrange and administer programs of self-insured losses and to purchase excess insurance coverage. Further information about SDRMA is as follows:

<b>A. Entity</b>	SDRMA
<b>B. Purpose</b>	To pool member contributions and realize the advantages of self-insurance
<b>C. Participants</b>	As of June 30, 2023 – 499 member agencies
<b>D. Governing board</b>	Seven representatives employed by members
<b>E. District payments for FY 2023:</b>	
<b>Property/Liability policy</b>	\$84,602
<b>Workers' compensation policy</b>	\$110,831
<b>F. Condensed financial information</b>	June 30, 2023
<b>Statement of net position:</b>	<b>June 30, 2023</b>
<b>Total assets</b>	<u>\$ 146,574,993</u>
<b>Deferred outflows</b>	<u>1,664,198</u>
<b>Total liabilities</b>	<u>76,343,471</u>
<b>Deferred inflows</b>	<u>374,517</u>
<b>Net position</b>	<u>\$ 71,521,203</u>
<b>Statement of revenues, expenses and changes in net position:</b>	
<b>Total revenues</b>	\$ 100,884,445
<b>Total expenses</b>	<u>(96,706,371)</u>
<b>Change in net position</b>	4,178,074
<b>Beginning – net position</b>	<u>67,343,129</u>
<b>Ending – net position</b>	<u>\$ 71,521,203</u>
<b>G. Member agencies share of year-end financial position</b>	Not Calculated

At June 30, 2023, the District participated in the liability and property programs of the SDRMA as follows:

- General and auto liability, public officials and employees' errors and omissions: Total risk financing self-insurance limits of \$2,500,000, combined single limit at \$2,500,000 per occurrence. The District purchased additional excess coverage layers: \$10,000,000 for general, auto and public officials liability, which increases the limits on the insurance coverage noted above.

## STALLION SPRINGS COMMUNITY SERVICES DISTRICT

### Notes to Financial Statements

June 30, 2023

---

#### NOTE 10 – RISK MANAGEMENT (continued)

In addition to the above, the District also has the following insurance coverage:

- Employee dishonesty coverage up to \$400,000 per loss includes public employee dishonesty, forgery or alteration and theft, disappearance and destruction coverage's.
- Property loss is paid at the replacement cost for property on file, if replaced within three years after the loss, otherwise paid on an actual cash value basis, to a combined total of \$750 million per occurrence, subject to a \$2,000 deductible per occurrence.
- Boiler and machinery coverage for the replacement cost up to \$100 million per occurrence, subject to a \$1,000 deductible per occurrence.
- Public officials personal liability up to \$500,000 each occurrence, with an annual aggregate of \$100,000 per each elected/appointed official to which this coverage applies, subject to the terms, with a deductible of \$500 per claim.

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years. There were no reductions in insurance coverage in fiscal year 2023, 2022, and 2021. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no IBNR claims payable as of June 30, 2023, 2022, and 2021.

#### NOTE 11 – COMMITMENTS AND CONTINGENCIES

##### Excluded Leases – Short-Term Leases and De Minimis Leases

The District does not recognize a lease receivable and a deferred inflow of resources for short-term leases. Short-term leases are certain leases that have a maximum possible term under the lease contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised.

Also, *de minimis* lessor or lessee leases are certain leases (i.e., room rental, copiers, printers, postage machines) that regardless of their lease contract period are *de minimis* with regards to their aggregate total dollar amount to the financial statements as a whole.

##### Litigation

In the ordinary course of operations, the District is subject to other claims and litigation from outside parties. After consultation with legal counsel, the District believes the ultimate outcome of such matters will not materially affect its financial condition.

#### NOTE 12 – SUBSEQUENT EVENTS

The District has evaluated subsequent events through January 10, 2024, the date which the financial statements were available to be issued.

---

---

***Required Supplementary Information***

---

---

**STALLION SPRINGS COMMUNITY SERVICES DISTRICT**  
*Budgetary Comparison Schedule – General Fund*  
*For the Fiscal Year Ended June 30, 2023*

---

	<u>Adopted Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>REVENUES:</b>				
Taxes:				
Property taxes	\$ 342,000	\$ 342,000	\$ 391,304	\$ 49,304
Special assessments	-	-	1,636	1,636
Charges for services	17,500	17,500	30,471	12,971
Investment earnings	15,000	15,000	27,710	12,710
<b>Total revenues</b>	<u>374,500</u>	<u>374,500</u>	<u>451,121</u>	<u>76,621</u>
<b>EXPENDITURES:</b>				
Current:				
Salaries and benefits	105,978	105,978	109,947	(3,969)
Materials and services	28,620	28,620	27,236	1,384
<b>Total expenditures</b>	<u>134,598</u>	<u>134,598</u>	<u>137,183</u>	<u>(2,585)</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>\$ 239,902</u>	<u>\$ 239,902</u>	313,938	<u>\$ 74,036</u>
<b>FUND BALANCES:</b>				
Beginning of year			<u>1,991,417</u>	
End of year			<u>\$ 2,305,355</u>	

**STALLION SPRINGS COMMUNITY SERVICES DISTRICT**  
*Budgetary Comparison Schedule – Parks and Recreation Department*  
*For the Fiscal Year Ended June 30, 2023*

---

	<u>Adopted Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>REVENUES:</b>				
Taxes:				
Property taxes	\$ 200,000	\$ 200,000	\$ 200,000	\$ -
Charges for services	98,000	98,000	122,250	24,250
Investment earnings	-	-	(4,133)	(4,133)
<b>Total revenues</b>	<u>298,000</u>	<u>298,000</u>	<u>318,117</u>	<u>20,117</u>
<b>EXPENDITURES:</b>				
Current:				
Salaries and benefits	201,770	201,770	126,808	74,962
Materials and services	139,506	139,506	132,638	6,868
Capital outlay	-	-	6,763	(6,763)
<b>Total expenditures</b>	<u>341,276</u>	<u>341,276</u>	<u>266,209</u>	<u>75,067</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>\$ (43,276)</u>	<u>\$ (43,276)</u>	51,908	<u>\$ 95,184</u>
<b>FUND BALANCES:</b>				
Beginning of year			<u>288,363</u>	
End of year			<u>\$ 340,271</u>	

**STALLION SPRINGS COMMUNITY SERVICES DISTRICT**  
*Budgetary Comparison Schedule – Public Safety Fund*  
*For the Fiscal Year Ended June 30, 2023*

---

	<u>Adopted Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>REVENUES:</b>				
Taxes:				
Property taxes	\$ 480,000	\$ 480,000	\$ 480,000	\$ -
Special assessments	117,000	117,000	119,115	2,115
Charges for services	2,000	2,000	18,275	16,275
Federal and state aid	160,000	160,000	165,271	5,271
Investment earnings	500	500	9,933	9,433
<b>Total revenues</b>	<u>759,500</u>	<u>759,500</u>	<u>792,594</u>	<u>33,094</u>
<b>EXPENDITURES:</b>				
Current:				
Salaries and benefits	740,452	740,452	616,650	123,802
Materials and services	111,055	111,055	122,428	(11,373)
Capital outlay	-	-	172,051	(172,051)
<b>Total expenditures</b>	<u>851,507</u>	<u>851,507</u>	<u>911,129</u>	<u>(59,622)</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>\$ (92,007)</u>	<u>\$ (92,007)</u>	(118,535)	<u>\$ (26,528)</u>
<b>FUND BALANCES:</b>				
Beginning of year			<u>215,103</u>	
End of year			<u>\$ 96,568</u>	

**STALLION SPRINGS COMMUNITY SERVICES DISTRICT**  
*Budgetary Comparison Schedule – Roads Fund*  
*For the Fiscal Year Ended June 30, 2023*

---

	<u>Adopted Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>REVENUES:</b>				
Special assessments	\$ 322,000	\$ 322,000	\$ 334,516	\$ 12,516
Charges for services	-	-	10,709	(10,709)
Investment earnings	-	-	5,661	5,661
<b>Total revenues</b>	<u>322,000</u>	<u>322,000</u>	<u>350,886</u>	<u>7,468</u>
<b>EXPENDITURES:</b>				
Current:				
Salaries and benefits	113,482	113,482	114,176	(694)
Materials and services	104,165	104,165	121,993	(17,828)
Debt service:				
Principal	146,444	146,444	146,444	-
Interest	36,198	36,198	36,198	-
<b>Total expenditures</b>	<u>400,289</u>	<u>400,289</u>	<u>418,811</u>	<u>(18,522)</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>\$ (78,289)</u>	<u>\$ (78,289)</u>	<u>(67,925)</u>	<u>\$ (11,054)</u>
<b>FUND BALANCES:</b>				
Beginning of year			<u>349,224</u>	
End of year			<u>\$ 281,299</u>	

**STALLION SPRINGS COMMUNITY SERVICES DISTRICT**  
*Schedule of Proportionate Share of the Net Pension Liability*  
*For the Fiscal Year Ended June 30, 2023*

**Last Ten Fiscal Years\***

**California Public Employees' Retirement System (CalPERS) Miscellaneous Plan**

<b>Measurement Date</b>	<b>District's Proportion of the Net Pension Liability</b>	<b>District's Proportionate Share of the Net Pension Liability</b>	<b>District's Covered Payroll</b>	<b>District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</b>	<b>Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability</b>
June 30, 2014	0.009784%	\$ 608,837	\$ 676,506	90.00%	82.39%
June 30, 2015	0.008028%	551,036	696,800	79.08%	85.06%
June 30, 2016	0.009196%	795,742	717,700	110.87%	80.16%
June 30, 2017	0.009598%	942,875	732,560	128.71%	78.89%
June 30, 2018	0.009880%	952,103	646,671	147.23%	79.21%
June 30, 2019	0.010378%	1,063,440	749,525	141.88%	78.19%
June 30, 2020	0.010970%	1,193,609	930,709	128.25%	76.94%
June 30, 2021	0.011192%	605,305	1,014,071	59.69%	88.99%
June 30, 2022	0.012519%	1,446,027	1,074,848	134.53%	76.04%

**Notes to Schedule:**

**Benefit Changes:**

There were no changes in benefits.

**Changes in Assumptions:**

**From fiscal year June 30, 2015 and June 30, 2016:**

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014, measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015, measurement date is without reduction of pension plan administrative expense.

**From fiscal year June 30, 2016 to June 30, 2017:**

There were no changes in assumptions.

**From fiscal year June 30, 2017 to June 30, 2018:**

The discount rate was reduced from 7.65% to 7.15%.

**From fiscal year June 30, 2018 to June 30, 2019:**

There were no significant changes in assumptions.

**From fiscal year June 30, 2019 to June 30, 2020:**

There were no significant changes in assumptions.

**From fiscal year June 30, 2020 to June 30, 2021:**

There were no significant changes in assumptions.

**From fiscal year June 30, 2021 to June 30, 2022:**

There were no significant changes in assumptions.

**From fiscal year June 30, 2022 to June 30, 2023:**

The discount rate was reduced from 7.15% to 6.90% and the inflation rate was reduced from 2.50% to 2.30%.

\*Fiscal year 2014 was the first measurement date year of implementation; therefore, only nine years are shown.



## STALLION SPRINGS COMMUNITY SERVICES DISTRICT

### Schedule of Pension Contributions

For the Fiscal Year Ended June 30, 2023

#### Last Ten Fiscal Years\*

#### California Public Employees' Retirement System (CalPERS) Miscellaneous Plan

<u>Fiscal Year</u>	<u>Actuarially Determined Contribution</u>	<u>Contributions in Relation to the Actuarially Determined Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2015	\$ 70,491	\$ (70,491)	\$ -	\$ 696,800	10.12%
June 30, 2016	81,864	(81,864)	-	717,700	11.41%
June 30, 2017	95,425	(95,425)	-	732,560	13.03%
June 30, 2018	106,520	(106,520)	-	646,671	16.47%
June 30, 2019	121,054	(121,054)	-	749,525	16.15%
June 30, 2020	147,599	(147,599)	-	930,709	15.86%
June 30, 2021	181,715	(181,715)	-	1,014,071	17.92%
June 30, 2022	204,020	(204,020)	-	1,074,848	18.98%
June 30, 2023	218,118	(218,118)	-	1,080,972	20.18%

#### Notes to Schedule:

<u>Fiscal Year</u>	<u>Valuation Date</u>	<u>Actuarial Cost Method</u>	<u>Asset Valuation Method</u>	<u>Inflation</u>	<u>Investment Rate of Return</u>
June 30, 2015	June 30, 2013	Entry Age	Market Value	2.75%	7.65%
June 30, 2016	June 30, 2014	Entry Age	Market Value	2.75%	7.65%
June 30, 2017	June 30, 2015	Entry Age	Market Value	2.75%	7.65%
June 30, 2018	June 30, 2016	Entry Age	Market Value	2.75%	7.15%
June 30, 2019	June 30, 2017	Entry Age	Market Value	2.50%	7.15%
June 30, 2020	June 30, 2018	Entry Age	Market Value	2.50%	7.15%
June 30, 2021	June 30, 2019	Entry Age	Market Value	2.50%	7.15%
June 30, 2022	June 30, 2020	Entry Age	Market Value	2.50%	7.15%
June 30, 2023	June 30, 2021	Entry Age	Market Value	2.30%	6.90%

#### Amortization Method

Level percentage of payroll, closed

#### Salary Increases

Depending on age, service, and type of employment

#### Investment Rate of Return

Net of pension plan investment exper

#### Retirement Age

Miscellaneous 2.0%@60 and 2.0%@62

Safety 3.0%@55 and 2.7%@57

#### Mortality

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.

\*Fiscal year 2015 was the first implementation year; therefore, only nine years are shown.

---

---

***Other Independent Auditors' Report***

---

---



**INDEPENDENT AUDITORS' 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**

Board of Directors  
Stallion Springs Community Services District  
Stallion Springs, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Stallion Springs Community Services District as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Stallion Springs Community Services District's basic financial statements, and have issued our report thereon dated January 10, 2024.

**Internal Control Over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

**Compliance and Other Matters**

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

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Murrieta, California  
January 10, 2024