

**STALLION SPRINGS
COMMUNITY SERVICES DISTRICT
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
For the Fiscal Year Ended
June 30, 2024**

NIGRO & NIGRO^{PC}

STALLION SPRINGS COMMUNITY SERVICES DISTRICT

For the Fiscal Year Ended June 30, 2024

Table of Contents

FINANCIAL SECTION

| | <u>Page</u> |
|--|-------------|
| 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 <i>Government Auditing Standards</i> | 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, 2024, 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, 2024, 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 February 18, 2025, 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
February 18, 2025

STALLION SPRINGS COMMUNITY SERVICES DISTRICT

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2024

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, 2024. 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 1.61%, or \$171,145 from the prior year's net position of \$10,649,063 to \$10,477,918 as a result of this year's operations.
- Total revenues from all sources increased by 12.96%, or \$492,102 from \$3,798,453 to \$4,290,555 from the prior year, primarily due to an increase in charges for services, investment earnings, and grant revenue during the fiscal year.
- Total expenses for the District's operations before depreciation expense increased by 12.91% or \$379,096 from \$2,935,756 to \$3,314,852 from the prior year.

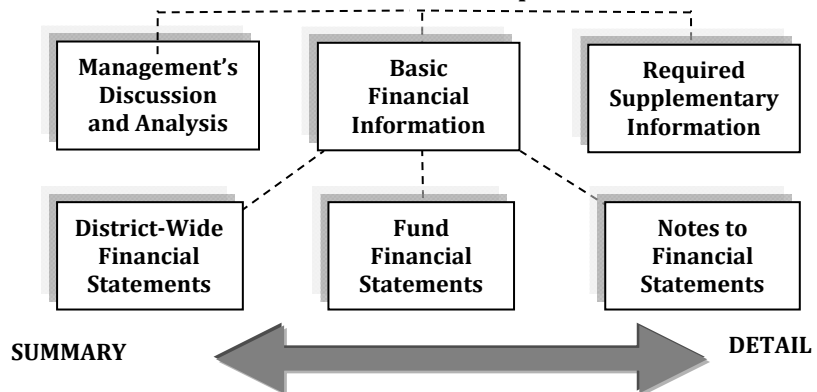
OVERVIEW OF THE FINANCIAL STATEMENTS

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, 2024

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

| Type of Statements | District-Wide | Governmental Fund | Proprietary Funds |
|---|--|--|--|
| <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"> • Statement of Net Position • Statement of Activities | <ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures & Changes in Fund Balances | <ul style="list-style-type: none"> • Statement of Net Position • Statement of Revenues, Expenses, & Changes in Net Position • Statement of Cash Flows |
| <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, 2024

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, 2024

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, 2024 | June 30, 2023 | June 30, 2024 | June 30, 2023 | June 30, 2024 | June 30, 2023 |
| ASSETS: | | | | | | |
| Current assets | \$ 3,477,989 | \$ 3,100,630 | \$ 2,933,865 | \$ 3,118,231 | \$ 6,411,854 | \$ 6,218,861 |
| Capital assets, net | 3,276,094 | 3,423,421 | 4,593,507 | 5,133,058 | 7,869,601 | 8,556,479 |
| Total assets | 6,754,083 | 6,524,051 | 7,527,372 | 8,251,289 | 14,281,455 | 14,775,340 |
| DEFERRED OUTFLOWS OF RESOURCES | 536,954 | 558,892 | 216,268 | 213,852 | 753,222 | 772,744 |
| LIABILITIES: | | | | | | |
| Current liabilities | 263,142 | 261,560 | 443,209 | 435,580 | 706,351 | 697,140 |
| Non-current liabilities | 1,703,209 | 1,731,023 | 2,097,804 | 2,377,305 | 3,801,013 | 4,108,328 |
| Total liabilities | 1,966,351 | 1,992,583 | 2,541,013 | 2,812,885 | 4,507,364 | 4,805,468 |
| DEFERRED INFLOWS OF RESOURCES | 38,919 | 74,761 | 10,476 | 18,792 | 49,395 | 93,553 |
| NET POSITION | | | | | | |
| Net investment in capital assets | 2,609,198 | 2,604,589 | 2,693,976 | 2,915,491 | 5,303,174 | 5,520,080 |
| Unrestricted | 2,676,569 | 2,411,010 | 2,498,175 | 2,717,973 | 5,174,744 | 5,128,983 |
| Total net position | \$ 5,285,767 | \$ 5,015,599 | \$ 5,192,151 | \$ 5,633,464 | \$ 10,477,918 | \$ 10,649,063 |

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 \$10,477,918 as of June 30, 2024.

By far the largest portion of the District's net position (51% as of June 30, 2024) 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 2024, the District shows a positive balance in its unrestricted net position of \$5,174,744 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, 2024

FINANCIAL ANALYSIS AND CONDENSED FINANCIAL INFORMATION (continued)

Analysis of Revenues and Expenses

Table A-2: Condensed Statement of Activities

| | Governmental Activities | | Business-Type Activities | | Total | |
|-------------------------------|-------------------------|------------------|--------------------------|------------------|------------------|------------------|
| | June 30, 2024 | June 30, 2023 | June 30, 2024 | June 30, 2023 | June 30, 2024 | June 30, 2023 |
| REVENUES: | | | | | | |
| Program revenues | \$ 980,528 | \$ 802,243 | \$ 1,961,326 | \$ 1,821,361 | \$ 2,941,854 | \$ 2,623,604 |
| General revenues | 1,218,311 | 1,110,475 | 130,390 | 64,374 | 1,348,701 | 1,174,849 |
| Total revenues | 2,198,839 | 1,912,718 | 2,091,716 | 1,885,735 | 4,290,555 | 3,798,453 |
| EXPENSES: | | | | | | |
| Operations | 1,482,563 | 1,355,723 | 1,832,289 | 1,580,033 | 3,314,852 | 2,935,756 |
| 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 |
| Total expenses | 1,928,671 | 1,801,831 | 2,533,029 | 2,280,773 | 4,461,700 | 4,082,604 |
| Change in net position | 270,168 | 110,887 | (441,313) | (395,038) | (171,145) | (284,151) |
| NET POSITION: | | | | | | |
| Beginning of year | 5,015,599 | 4,904,712 | 5,633,464 | 6,028,502 | 10,649,063 | 10,933,214 |
| End of year | \$ 5,285,767 | \$ 5,015,599 | \$ 5,192,151 | \$ 5,633,464 | \$ 10,477,918 | \$ 10,649,063 |

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 \$171,145 during the fiscal year ended June 30, 2024.

Total revenues from all sources increased by 12.96%, or \$492,102 from \$3,798,453 to \$4,290,555 from the prior year, primarily due to an increase in charges for services, investment earnings, and grant revenue during the fiscal year.

Total expenses for the District's operations before depreciation expense increased by 12.91% or \$379,096 from \$2,935,756 to \$3,314,852, from the prior year.

STALLION SPRINGS COMMUNITY SERVICES DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2024

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, 2024, the District reported a total fund balance in its governmental funds of \$3,410,829. An amount of \$2,800,305 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 \$16,330 more than actual. Actual revenues were greater than the anticipated budget by \$22,729.

CAPITAL ASSET ADMINISTRATION

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

| | <u>Balance July 1, 2023</u> | <u>Additions/ Transfers</u> | <u>Deletions/ Transfers</u> | <u>Balance June 30, 2024</u> |
|--------------------------------|---------------------------------|---------------------------------|---------------------------------|----------------------------------|
| Non-depreciable capital assets | \$ 881,657 | \$ - | \$ - | \$ 881,657 |
| Depreciable capital assets | 15,814,448 | 241,372 | - | 16,055,820 |
| Total capital assets | 16,696,105 | 241,372 | - | 16,937,477 |
| Accumulated depreciation | (8,139,626) | (928,250) | - | (9,067,876) |
| Total capital assets, net | <u>\$ 8,556,479</u> | <u>\$ (686,878)</u> | <u>\$ -</u> | <u>\$ 7,869,601</u> |

At the end of fiscal year 2024, the District's net investment in capital assets amounted to \$7,869,601 (net of accumulated depreciation). This investment in capital assets includes structures, improvements and equipment. Major capital asset additions during the year include various buildings and improvements and equipment totaling \$241,372.

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, 2024

CAPITAL ASSET ADMINISTRATION (continued)

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

| | <u>Balance July 1, 2023</u> | <u>Additions</u> | <u>Principal Payments</u> | <u>Balance June 30, 2024</u> |
|---------------|---------------------------------|------------------|-------------------------------|----------------------------------|
| Notes payable | \$ 3,036,399 | \$ - | \$ (469,972) | \$ 2,566,427 |

In fiscal year 2024, the District's Long-term debt decreased by \$469,972 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, 2024

| | Primary Government | | |
|---|------------------------------------|-------------------------------------|----------------------|
| | Governmental Activities | Business-Type Activities | Total |
| <u>ASSETS</u> | | | |
| Current assets: | | | |
| Cash and investments (note 2) | \$ 3,475,160 | \$ 2,710,065 | \$ 6,185,225 |
| Accounts receivable – services | 2,829 | 223,800 | 226,629 |
| Total current assets | 3,477,989 | 2,933,865 | 6,411,854 |
| Non-current assets: | | | |
| Capital assets – not being depreciated (note 3) | 73,657 | 808,000 | 881,657 |
| Capital assets – being depreciated, net (note 3) | 3,202,437 | 3,785,507 | 6,987,944 |
| Total non-current assets | 3,276,094 | 4,593,507 | 7,869,601 |
| Total assets | 6,754,083 | 7,527,372 | 14,281,455 |
| <u>DEFERRED OUTFLOWS OF RESOURCES</u> | | | |
| Pension related deferred outflows of resources (Note 6) | 536,954 | 216,268 | 753,222 |
| Total deferred outflows of resources | 536,954 | 216,268 | 753,222 |
| <u>LIABILITIES</u> | | | |
| Current liabilities: | | | |
| Accounts payable and accrued expenses | 67,160 | 67,915 | 135,075 |
| Accrued interest payable | 2,154 | 24,476 | 26,630 |
| Compensated absences (note 4) | 36,195 | 21,673 | 57,868 |
| Notes payable (note 5) | 157,633 | 329,145 | 486,778 |
| Total current liabilities | 263,142 | 443,209 | 706,351 |
| Non-current liabilities: | | | |
| Compensated absences (note 4) | 67,219 | 40,249 | 107,468 |
| Notes payable (note 5) | 509,263 | 1,570,386 | 2,079,649 |
| Net pension liability (note 6) | 1,126,727 | 487,169 | 1,613,896 |
| Total non-current liabilities | 1,703,209 | 2,097,804 | 3,801,013 |
| Total liabilities | 1,966,351 | 2,541,013 | 4,507,364 |
| <u>DEFERRED INFLOWS OF RESOURCES</u> | | | |
| Pension related deferred inflows of resources (Note 6) | 38,919 | 10,476 | 49,395 |
| Total deferred inflows of resources | 38,919 | 10,476 | 49,395 |
| <u>NET POSITION</u> | | | |
| Net investment in capital assets (note 7) | 2,609,198 | 2,693,976 | 5,303,174 |
| Unrestricted | 2,676,569 | 2,498,175 | 5,174,744 |
| Total net position | \$ 5,285,767 | \$ 5,192,151 | \$ 10,477,918 |

STALLION SPRINGS COMMUNITY SERVICES DISTRICT

Statement of Activities

For the Fiscal Year Ended June 30, 2024

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Program Revenues</u> | |
|---------------------------------------|---------------------|-----------------------------|-------------------------------------|
| | | <u>Charges for Services</u> | <u>Capital and Operating Grants</u> |
| Primary government: | | | |
| Governmental activities: | | | |
| General government | \$ 217,234 | \$ 26,465 | \$ - |
| Parks and recreation | 409,433 | 136,262 | 167,550 |
| Public safety | 805,578 | 122,821 | 186,159 |
| Roads | 496,426 | 341,271 | - |
| Total governmental activities | 1,928,671 | 626,819 | 353,709 |
| Business-type activities: | | | |
| Water | 1,729,460 | 1,128,478 | 53,697 |
| Sewer | 599,205 | 565,414 | - |
| Solid waste | 204,364 | 213,737 | - |
| Total business-type activities | 2,533,029 | 1,907,629 | 53,697 |
| Total primary government | \$ 4,461,700 | \$ 2,534,448 | \$ 407,406 |

STALLION SPRINGS COMMUNITY SERVICES DISTRICT

Statement of Activities (continued)

For the Fiscal Year Ended June 30, 2024

| Functions/Programs | Net (Expense) Revenue and Changes in Net Position | | |
|---------------------------------------|--|-----------------------------|--------------------|
| | Governmental Activities | Business-Type Activities | Total |
| Primary government: | | | |
| Governmental activities: | | | |
| General government | \$ (190,769) | \$ - | \$ (190,769) |
| Parks and recreation | (105,621) | - | (105,621) |
| Public safety | (496,598) | - | (496,598) |
| Roads | (155,155) | - | (155,155) |
| Total governmental activities | (948,143) | - | (948,143) |
| Business-type activities: | | | |
| Water | - | (547,285) | (547,285) |
| Sewer | - | (33,791) | (33,791) |
| Solid waste | - | 9,373 | 9,373 |
| Total business-type activities | - | (571,703) | (571,703) |
| Total primary government | (948,143) | (571,703) | (1,519,846) |
| General revenues: | | | |
| Property taxes | 1,127,012 | - | 1,127,012 |
| Investment earnings | 91,299 | 130,390 | 221,689 |
| Total general revenues | 1,218,311 | 130,390 | 1,348,701 |
| Change in net position | 270,168 | (441,313) | (171,145) |
| Net position: | | | |
| Beginning of year | 5,015,599 | 5,633,464 | 10,649,063 |
| End of year | \$ 5,285,767 | \$ 5,192,151 | \$ 10,477,918 |

STALLION SPRINGS COMMUNITY SERVICES DISTRICT

Balance Sheet – Governmental Funds

June 30, 2024

| <u>Assets</u> | <u>General Government</u> | <u>Parks and Recreation</u> | <u>Public Safety</u> | <u>Roads</u> | <u>Total Governmental Funds</u> |
|--|-------------------------------|---------------------------------|--------------------------|-------------------|---|
| Assets: | | | | | |
| Cash and investments | \$ 2,685,772 | \$ 326,774 | \$ 255,596 | \$ 207,018 | \$ 3,475,160 |
| Accounts receivable – services | 2,829 | - | - | - | 2,829 |
| Total assets | \$ 2,688,601 | \$ 326,774 | \$ 255,596 | \$ 207,018 | \$ 3,477,989 |
| <u>Liabilities and Fund Balance</u> | | | | | |
| Liabilities: | | | | | |
| Accounts payable and accrued expenses | \$ 19,387 | \$ 20,814 | \$ 23,330 | \$ 3,629 | \$ 67,160 |
| Total liabilities | 19,387 | 20,814 | 23,330 | 3,629 | 67,160 |
| Fund balance: (note 8) | | | | | |
| Committed | 28,593 | 2,239 | 72,582 | 203,389 | 306,803 |
| Assigned | - | 303,721 | - | - | 303,721 |
| Unassigned | 2,640,621 | - | 159,684 | - | 2,800,305 |
| Total fund balance | 2,669,214 | 305,960 | 232,266 | 203,389 | 3,410,829 |
| Total liabilities and fund balance | \$ 2,688,601 | \$ 326,774 | \$ 255,596 | \$ 207,018 | \$ 3,477,989 |

STALLION SPRINGS COMMUNITY SERVICES DISTRICT

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position June 30, 2024

| | |
|--|----------------------------|
| Total Fund Balances - Total Governmental Funds | \$ 3,410,829 |
| 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. | 3,276,094 |
| 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. | 536,954 |
| 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 | (2,154) |
| Compensated absences | (103,414) |
| Notes payable | (666,896) |
| Net pension liability | (1,126,727) |
| 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. | (38,919) |
| Total adjustments | <u>1,874,938</u> |
| Net Position of Governmental Activities | <u>\$ 5,285,767</u> |

STALLION SPRINGS COMMUNITY SERVICES DISTRICT

*Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
For the Fiscal Year Ended June 30, 2024*

| | <u>General Government</u> | <u>Parks and Recreation</u> | <u>Public Safety</u> | <u>Roads</u> | <u>Total Governmental Funds</u> |
|-------------------------------|-------------------------------|---------------------------------|--------------------------|-------------------|---|
| Revenues: | | | | | |
| Taxes: | | | | | |
| Property taxes | \$ 407,012 | \$ 220,000 | \$ 500,000 | \$ - | \$ 1,127,012 |
| Special assessments | 1,264 | - | 119,715 | 334,098 | 455,077 |
| Charges for services | 25,201 | 136,262 | 3,106 | 7,173 | 171,742 |
| Grant revenue | - | 167,550 | - | - | 167,550 |
| Federal and state aid | - | - | 186,159 | - | 186,159 |
| Investment earnings | 74,252 | 4,179 | 1,809 | 11,059 | 91,299 |
| Total revenues | <u>507,729</u> | <u>527,991</u> | <u>810,789</u> | <u>352,330</u> | <u>2,198,839</u> |
| Expenditures: | | | | | |
| Current: | | | | | |
| Salaries and benefits | 118,411 | 178,730 | 558,886 | 114,452 | 970,479 |
| Materials and services | 25,459 | 142,441 | 115,964 | 133,146 | 417,010 |
| Capital outlay | - | 241,372 | - | - | 241,372 |
| Debt service: | | | | | |
| Principal | - | - | - | 151,936 | 151,936 |
| Interest | - | - | - | 30,706 | 30,706 |
| Total expenditures | <u>143,870</u> | <u>562,543</u> | <u>674,850</u> | <u>430,240</u> | <u>1,811,503</u> |
| Change in fund balance | 363,859 | (34,552) | 135,939 | (77,910) | 387,336 |
| Fund balances: | | | | | |
| Beginning of year | <u>2,305,355</u> | <u>340,512</u> | <u>96,327</u> | <u>281,299</u> | <u>3,023,493</u> |
| End of year | <u>\$ 2,669,214</u> | <u>\$ 305,960</u> | <u>\$ 232,266</u> | <u>\$ 203,389</u> | <u>\$ 3,410,829</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, 2024

| | |
|--|--------------------------|
| Net Changes in Fund Balance – Total Governmental Funds | <u>\$ 387,336</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 | 491 |
| Change in compensated absences | (18,149) |
| Change in net pension expense | (104,118) |
| 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 | 241,372 |
| Depreciation expense | (388,700) |
| 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>151,936</u> |
| Total adjustments | <u>(117,168)</u> |
| Change in Net Position of Governmental Activities | <u><u>\$ 270,168</u></u> |

STALLION SPRINGS COMMUNITY SERVICES DISTRICT

Balance Sheets – Proprietary Funds

June 30, 2024

| <u>ASSETS</u> | <u>Water Operations</u> | <u>Sewer Operations</u> | <u>Solid Waste Operations</u> | <u>Total</u> |
|--|-----------------------------|-----------------------------|-----------------------------------|---------------------|
| Current assets: | | | | |
| Cash and investments | \$ 1,751,964 | \$ 602,099 | \$ 356,002 | \$ 2,710,065 |
| Accounts receivable – services | 133,195 | 68,941 | 21,664 | 223,800 |
| Total current assets | 1,885,159 | 671,040 | 377,666 | 2,933,865 |
| Non-current assets: | | | | |
| Capital assets – not being depreciated | 808,000 | - | - | 808,000 |
| Capital assets – being depreciated, net | 3,078,601 | 612,098 | 94,808 | 3,785,507 |
| Total non-current assets | 3,886,601 | 612,098 | 94,808 | 4,593,507 |
| Total assets | 5,771,760 | 1,283,138 | 472,474 | 7,527,372 |
| <u>DEFERRED OUTFLOWS OF RESOURCES</u> | | | | |
| Pension related deferred outflows of resources | 169,082 | 47,186 | - | 216,268 |
| Total deferred outflows of resources | 169,082 | 47,186 | - | 216,268 |
| Total assets and deferred outflows of resources | \$ 5,940,842 | \$ 1,330,324 | \$ 472,474 | \$ 7,743,640 |
| <u>LIABILITIES</u> | | | | |
| Current liabilities: | | | | |
| Accounts payable and accrued expenses | \$ 38,902 | \$ 19,382 | \$ 9,631 | \$ 67,915 |
| Accrued interest payable | 18,413 | 6,063 | - | 24,476 |
| Compensated absences | 12,111 | 9,561 | - | 21,673 |
| Notes payable | 316,998 | 12,147 | - | 329,145 |
| Total current liabilities | 386,424 | 47,153 | 9,631 | 443,209 |
| Non-current liabilities: | | | | |
| Compensated absences | 22,493 | 17,757 | - | 40,249 |
| Notes payable | 1,127,846 | 442,540 | - | 1,570,386 |
| Net pension liability | 380,878 | 106,291 | - | 487,169 |
| Total non-current liabilities | 1,531,217 | 566,588 | - | 2,097,804 |
| Total liabilities | 1,917,641 | 613,741 | 9,631 | 2,541,013 |
| <u>DEFERRED INFLOWS OF RESOURCES</u> | | | | |
| Pension related deferred inflows of resources | 8,190 | 2,286 | - | 10,476 |
| Total deferred inflows of resources | 8,190 | 2,286 | - | 10,476 |
| <u>NET POSITION</u> | | | | |
| Net investment in capital assets | 2,441,757 | 157,411 | 94,808 | 2,693,976 |
| Unrestricted | 1,573,254 | 556,886 | 368,035 | 2,498,175 |
| Total net position | 4,015,011 | 714,297 | 462,843 | 5,192,151 |
| Total liabilities, deferred inflows of resources and net position | \$ 5,940,842 | \$ 1,330,324 | \$ 472,474 | \$ 7,743,640 |

STALLION SPRINGS COMMUNITY SERVICES DISTRICT

Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund For the Fiscal Year Ended June 30, 2024

| | Water Operations | Sewer Operations | Solid Waste Operations | Total |
|--|---------------------|---------------------|---------------------------|---------------------|
| Operating revenues: | | | | |
| Water consumption sales | \$ 1,042,113 | \$ - | \$ - | \$ 1,042,113 |
| Sewer service charges | - | 556,650 | - | 556,650 |
| Solid waste collection charges | - | - | 188,737 | 188,737 |
| Special assessments | 86,365 | 8,905 | - | 95,270 |
| Other charges for services | - | (141) | 25,000 | 24,859 |
| Total operating revenues | 1,128,478 | 565,414 | 213,737 | 1,907,629 |
| Operating expenses: | | | | |
| Operations | 1,197,351 | 539,396 | 185,131 | 1,921,878 |
| Total operating expenses | 1,197,351 | 539,396 | 185,131 | 1,921,878 |
| Operating income(loss) before depreciation | (68,873) | 26,018 | 28,606 | (14,249) |
| Depreciation expense | (475,090) | (45,228) | (19,233) | (539,551) |
| Operating income(loss) | (543,963) | (19,210) | 9,373 | (553,800) |
| Non-operating revenue(expense): | | | | |
| Investment earnings | 97,734 | 26,046 | 6,610 | 130,390 |
| Interest expense | (57,019) | (14,581) | - | (71,600) |
| Total non-operating, net | 40,715 | 11,465 | 6,610 | 58,790 |
| Capital contributions: | | | | |
| Connection fees | 53,697 | - | - | 53,697 |
| Total capital contributions | 53,697 | - | - | 53,697 |
| Change in net position | (449,551) | (7,745) | 15,983 | (441,313) |
| Net position: | | | | |
| Beginning of year | 4,464,562 | 722,042 | 446,860 | 5,633,464 |
| End of year | \$ 4,015,011 | \$ 714,297 | \$ 462,843 | \$ 5,192,151 |

STALLION SPRINGS COMMUNITY SERVICES DISTRICT

Statement of Cash Flows – Proprietary Fund

For the Fiscal Year Ended June 30, 2024

| | Water Operations | Sewer Operations | Solid Waste Operations | Total |
|--|---------------------|---------------------|---------------------------|---------------------|
| Cash flows from operating activities: | | | | |
| Cash receipts from customers and others | \$ 1,145,089 | \$ 542,905 | \$ 214,333 | \$ 1,902,327 |
| Cash paid to employees for salaries and benefits | (624,292) | (172,737) | (32,047) | (829,076) |
| Cash paid to vendors and suppliers | (546,756) | (355,726) | (150,454) | (1,052,936) |
| Net cash provided by (used in) operating activities | <u>(25,959)</u> | <u>14,442</u> | <u>31,832</u> | <u>20,315</u> |
| Cash flows from capital and related financing activities: | | | | |
| Proceeds from capital contributions | 53,697 | - | - | 53,697 |
| Principal payments on notes payable | (306,266) | (11,770) | - | (318,036) |
| Interest payments on notes payable | (61,295) | (14,739) | - | (76,034) |
| Net cash used in capital/financing activities | <u>(313,864)</u> | <u>(26,509)</u> | <u>-</u> | <u>(340,373)</u> |
| Cash flows from investing activities: | | | | |
| Investment earnings | 97,740 | 26,047 | 6,610 | 130,397 |
| Net cash provided by investing activities | <u>97,740</u> | <u>26,047</u> | <u>6,610</u> | <u>130,397</u> |
| Net increase(decrease) in cash | (242,083) | 13,980 | 38,442 | (189,661) |
| Cash and cash equivalents: | | | | |
| Beginning of year | 1,994,047 | 588,119 | 317,560 | 2,899,726 |
| End of year | <u>\$ 1,751,964</u> | <u>\$ 602,099</u> | <u>\$ 356,002</u> | <u>\$ 2,710,065</u> |
| Reconciliation of operating income to net cash provided by operating activities: | | | | |
| Operating income(loss) | <u>\$ (543,963)</u> | <u>\$ (19,210)</u> | <u>\$ 9,373</u> | <u>\$ (553,800)</u> |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | | |
| Depreciation expense | 475,090 | 45,228 | 19,233 | 539,551 |
| Changes in account balances: | | | | |
| (Increase)decrease in assets: | | | | |
| Accounts receivable – services | 16,611 | (22,509) | 596 | (5,302) |
| (Increase)decrease in deferred outflows of resources | (1,888) | (528) | - | (2,416) |
| Increase(decrease) in liabilities: | | | | |
| Accounts payable and accrued expenses | 11 | (1,579) | 2,630 | 1,062 |
| Compensated absences | (4,289) | 3,979 | - | (310) |
| Net pension liability | 38,971 | 10,875 | - | 49,846 |
| Increase(decrease) in deferred inflows of resources | (6,502) | (1,814) | - | (8,316) |
| Total adjustments | <u>518,004</u> | <u>33,652</u> | <u>22,459</u> | <u>574,115</u> |
| Net cash provided by (used in) operating activities | <u>\$ (25,959)</u> | <u>\$ 14,442</u> | <u>\$ 31,832</u> | <u>\$ 20,315</u> |

STALLION SPRINGS COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2024

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, 2024

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, 2024

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, 2024

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, 2024

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, 2024

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, 2022

Measurement Date June 30, 2023

Measurement Period July 1, 2022 to June 30, 2023

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, 2024

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, 2024, consisted of the following:

| <u>Description</u> | <u>Balance</u> |
|--|---------------------|
| Cash on hand | \$ 900 |
| Deposits held with financial institutions | 412,838 |
| Kern County Treasury Investment Pool (KCTIP) | <u>5,771,487</u> |
| Total | <u>\$ 6,185,225</u> |

Demand Deposits

At June 30, 2024, the carrying amount of the District's demand deposits were \$412,838 and the financial institution's balance was \$433,311. 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, 2024

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, 2024 consisted of the following:

| <u>Type of Investments</u> | <u>Measurement Focus</u> | <u>Fair Value</u> | <u>Maturity</u> |
|--------------------------------------|--------------------------|---------------------|--------------------------|
| | | | <u>12 Months or Less</u> |
| Kern County Treasury Investment Pool | Level 2 | \$ 5,771,487 | \$ 5,771,487 |
| Total investments | | <u>\$ 5,771,487</u> | <u>\$ 5,771,487</u> |

STALLION SPRINGS COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2024

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.

The Kern County Treasurer has indicated to the District that as of June 30, 2024, the value of the County's portfolio approximated \$6.84 billion and the portfolio holds no derivative products. The District's investment with the Kern County Treasurer's Office as of June 30, 2024 was \$5,771,487. KCTIP's fair value factor of 0.9688134254% as of June 30, 2024 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, 2024, 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, 2024

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</u> <u>July 1, 2023</u> | <u>Additions</u> | <u>Deletions/ Transfers</u> | <u>Balance</u> <u>June 30, 2024</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 | 1,258,677 | 236,242 | - | 1,494,919 |
| Community center | 2,099,105 | - | - | 2,099,105 |
| Infrastructure, streets and roads | 2,099,240 | - | - | 2,099,240 |
| Vehicles and equipment | <u>533,443</u> | <u>5,130</u> | <u>-</u> | <u>538,573</u> |
| Total depreciable assets | <u>5,990,465</u> | <u>241,372</u> | <u>-</u> | <u>6,231,837</u> |
| Accumulated depreciation: | | | | |
| Buildings and improvements | (545,851) | (67,862) | - | (613,713) |
| Community center | (791,237) | (57,056) | - | (848,293) |
| Infrastructure, streets and roads | (1,113,177) | (209,924) | - | (1,323,101) |
| Vehicles and equipment | <u>(190,436)</u> | <u>(53,857)</u> | <u>-</u> | <u>(244,293)</u> |
| Total accumulated depreciation | <u>(2,640,701)</u> | <u>(388,699)</u> | <u>-</u> | <u>(3,029,400)</u> |
| Total depreciable assets, net | <u>3,349,764</u> | <u>(147,327)</u> | <u>-</u> | <u>3,202,437</u> |
| Total capital assets, net | <u>\$ 3,423,421</u> | <u>\$ (147,327)</u> | <u>\$ -</u> | <u>\$ 3,276,094</u> |

STALLION SPRINGS COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2024

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 | \$ 38,681 |
| Parks and recreation | 88,424 |
| Public safety | 42,982 |
| Roads | <u>218,612</u> |
| Total | <u>\$ 388,699</u> |

Business-Type Activities and Proprietary Funds

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

| | <u>Balance</u> <u>July 1, 2023</u> | <u>Additions</u> | <u>Deletions/ Transfers</u> | <u>Balance</u> <u>June 30, 2024</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 | 8,678,130 | - | - | 8,678,130 |
| Wastewater collection | 796,229 | - | - | 796,229 |
| Solid waste collection | 153,321 | - | - | 153,321 |
| Vehicles and equipment | 196,305 | - | - | 196,305 |
| Total depreciable assets | <u>9,823,985</u> | <u>-</u> | <u>-</u> | <u>9,823,985</u> |
| Accumulated depreciation: | | | | |
| Water transmission and distribution | (5,184,945) | (463,665) | - | (5,648,610) |
| Wastewater collection | (169,007) | (37,703) | - | (206,710) |
| Solid waste collection | (61,328) | (15,332) | - | (76,660) |
| Vehicles and equipment | (83,647) | (22,851) | - | (106,498) |
| Total accumulated depreciation | <u>(5,498,927)</u> | <u>(539,551)</u> | <u>-</u> | <u>(6,038,478)</u> |
| Total depreciable assets, net | <u>4,325,058</u> | <u>(539,551)</u> | <u>-</u> | <u>3,785,507</u> |
| Total capital assets, net | <u>\$ 5,133,058</u> | <u>\$ (539,551)</u> | <u>\$ -</u> | <u>\$ 4,593,507</u> |

STALLION SPRINGS COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2024

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, 2024 were as follows:

| Balance July 1, 2023 | Additions | Deletions | Balance June 30, 2024 | Current Portion | Long-term Portion |
|---------------------------------|------------------|------------------|----------------------------------|----------------------------|------------------------------|
| \$ 147,497 | \$ 94,721 | \$ (76,882) | \$ 165,336 | \$ 57,868 | \$ 107,468 |

NOTE 5 – NOTES PAYABLE

Changes in the notes payables amounts for the fiscal year ended June 30, 2024 were as follows:

| | Balance July 1, 2023 | Additions | Payments | Balance June 30, 2024 |
|---|---------------------------------|------------------|-----------------|----------------------------------|
| <i>Governmental-activities:</i> | | | | |
| Road fund: | | | | |
| Road project note | \$ 818,832 | \$ - | \$ (151,936) | \$ 666,896 |
| <i>Business-type activities:</i> | | | | |
| Water fund: | | | | |
| Bornt property and well note | 1,285,915 | - | (195,334) | 1,090,581 |
| AMI meter project note | 465,195 | - | (110,932) | 354,263 |
| Sewer fund: | | | | |
| Lift station project note | 466,457 | - | (11,770) | 454,687 |
| Total | 3,036,399 | \$ - | \$ (469,972) | 2,566,427 |
| Less: current portion due | (469,972) | | | (486,778) |
| Long-term portion due | \$ 2,566,427 | | | \$ 2,079,649 |

STALLION SPRINGS COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2024

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> |
|---------------|-------------------|------------------|-------------------|
| 2025 | \$ 157,633 | \$ 25,009 | \$ 182,642 |
| 2026 | 163,545 | 19,097 | 182,642 |
| 2027 | 169,678 | 12,964 | 182,642 |
| 2028 | <u>176,040</u> | <u>6,602</u> | <u>182,642</u> |
| Totals | 666,896 | <u>\$ 63,672</u> | <u>\$ 730,568</u> |
| Less: current | <u>(157,633)</u> | | |
| Long-term | <u>\$ 509,263</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> |
|---------------|-------------------|-------------------|---------------------|
| 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 | <u>234,246</u> | <u>8,667</u> | <u>242,913</u> |
| Totals | 1,090,581 | <u>\$ 123,984</u> | <u>\$ 1,214,565</u> |
| Less: current | <u>(202,562)</u> | | |
| Long-term | <u>\$ 888,019</u> | | |

STALLION SPRINGS COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2024

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 1st and February 1st 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> |
|---------------|------------------|-----------------|-------------------|--------------|
| 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 | 13,778 | 12,698 | 1,211 | 27,687 |
| 2030-2034 | 75,793 | 56,479 | 5,409 | 137,681 |
| 2035-2039 | 88,721 | 43,344 | 4,197 | 136,262 |
| 2040-2044 | 103,855 | 27,969 | 2,778 | 134,602 |
| 2045-2049 | 121,569 | 9,971 | 1,117 | 132,657 |
| Totals | 454,687 | \$ 205,464 | \$ 19,945 | \$ 680,096 |
| Less: current | (12,147) | | | |
| Long-term | \$ 442,540 | | | |

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 1st and May 1st 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> |
|---------------|------------------|-----------------|--------------|
| 2025 | \$ 114,436 | \$ 10,212 | \$ 124,648 |
| 2026 | 118,050 | 6,598 | 124,648 |
| 2027 | 121,777 | 2,870 | 124,647 |
| Totals | 354,263 | \$ 19,680 | \$ 373,943 |
| Less: current | (114,436) | | |
| Long-term | \$ 239,827 | | |

STALLION SPRINGS COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2024

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 | \$ 393,214 | \$ 360,008 | \$ 753,222 |
| Net pension liability | 885,762 | 728,134 | 1,613,896 |
| Pension related deferred inflows | 19,047 | 30,348 | 49,395 |

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> |
| | Prior to <u>January 1, 2013</u> | On or after <u>January 1, 2013</u> |
| Hire date | | |
| Benefit formula | 2.0% @ 60 | 2.0% @ 62 |
| 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 | 1.0% to 2.0% | 1.0% to 2.0% |
| Required member contribution rates | 7.000% | 6.750% |
| Required employer contribution rates | 8.630% | 7.470% |

STALLION SPRINGS COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2024

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

A. General Information about the Pension Plan (continued)

The Plans (continued)

| | Safety Plans | |
|---|-----------------------------|--------------------------------|
| | Classic Tier 1 | PEPRA Tier 2 |
| Hire date | Prior to January 1, 2013 | On or after January 1, 2013 |
| 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% | 12.780% |

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, 2023 and 2022 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, 2023, the following Miscellaneous Plans members were covered by the benefit terms:

| Plan Members | Miscellaneous Plans | | Total |
|------------------------------------|----------------------------|-------------------------|--------------|
| | Classic Tier 1 | PEPRA Tier 2 | |
| Active members | 2 | 9 | 11 |
| Transferred and terminated members | 9 | 1 | 10 |
| Retired members and beneficiaries | 7 | 2 | 9 |
| Total plan members | 18 | 12 | 30 |

STALLION SPRINGS COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2024

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, 2023, 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 | 2 | 3 | 5 |
| Retired members and beneficiaries | 4 | - | 4 |
| Total plan members | 7 | 6 | 13 |

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, 2024

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, 2023 and 2022 (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, 2024, were as follows:

| Contribution Type | Miscellaneous Plans | | Total |
|----------------------------|----------------------------|---------------------|-------------------|
| | Classic Tier 1 | PEPRA Tier 2 | |
| Contributions – employer | \$ 72,079 | \$ 45,430 | \$ 117,509 |
| Contributions – members | 11,917 | 45,845 | 57,762 |
| Total contributions | \$ 83,996 | \$ 91,275 | \$ 175,271 |

Contributions for the Safety Plans for the year ended June 30, 2024, were as follows:

| Contribution Type | Safety Plans | | Total |
|----------------------------|-----------------------|---------------------|-------------------|
| | Classic Tier 1 | PEPRA Tier 2 | |
| Contributions – employer | \$ 75,017 | \$ 23,787 | \$ 98,804 |
| Contributions – members | 12,196 | 22,051 | 34,247 |
| Total contributions | \$ 87,213 | \$ 45,838 | \$ 133,051 |

STALLION SPRINGS COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2024

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, 2023, 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, 2022, rolled forward to June 30, 2023, 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, 2023 (Measurement Date):

| Plan Type and Balance Descriptions | Plan Total Pension Liability | Plan Fiduciary Net Position | Change in Plan Net Pension Liability |
|--|---------------------------------|--------------------------------|---|
| CalPERS – Miscellaneous Plan: | | | |
| Balance as of June 30, 2022 (Measurement Date) | \$ 3,298,994 | \$ 2,503,861 | \$ 795,133 |
| Balance as of June 30, 2023 (Measurement Date) | \$ 3,626,391 | \$ 2,740,629 | \$ 885,762 |
| Change in Plan Net Pension Liability | \$ 327,397 | \$ 236,768 | \$ 90,629 |
| | | | |
| Plan Type and Balance Descriptions | Plan Total Pension Liability | Plan Fiduciary Net Position | Change in Plan Net Pension Liability |
| CalPERS – Safety Plan: | | | |
| Balance as of June 30, 2022 (Measurement Date) | \$ 2,737,417 | \$ 2,086,523 | \$ 650,894 |
| Balance as of June 30, 2023 (Measurement Date) | \$ 2,942,144 | \$ 2,214,010 | \$ 728,134 |
| Change in Plan Net Pension Liability | \$ 204,727 | \$ 127,487 | \$ 77,240 |

STALLION SPRINGS COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2024

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, 2023, measurement date was as follows:

| | Percentage Share of Risk Pool | | Change Increase/ (Decrease) |
|---|---|---|------------------------------------|
| | Fiscal Year Ending June 30, 2024 | Fiscal Year Ending June 30, 2023 | |
| CalPERS – Miscellaneous Plan | | | |
| Measurement Date | June 30, 2023 | June 30, 2022 | |
| Percentage of Risk Pool Net Pension Liability | 0.017714% | 0.016993% | 0.000721% |
| Percentage of Plan (PERF C) Net Pension Liability | 0.007100% | 0.006884% | 0.000216% |

The District’s proportionate share percentage of the net pension liability for the Safety Plans for the June 30, 2023, measurement date was as follows:

| | Percentage Share of Risk Pool | | Change Increase/ (Decrease) |
|---|---|---|------------------------------------|
| | Fiscal Year Ending June 30, 2024 | Fiscal Year Ending June 30, 2023 | |
| CalPERS – Safety Plan | | | |
| Measurement Date | June 30, 2023 | June 30, 2022 | |
| Percentage of Risk Pool Net Pension Liability | 0.009741% | 0.009472% | 0.000269% |
| Percentage of Plan (PERF C) Net Pension Liability | 0.005837% | 0.005635% | 0.000202% |

For the year ended June 30, 2024, the District recognized pension expense/(credit) in the amounts of \$188,627 for the CalPERS Miscellaneous Plan and \$170,923 for the CalPERS Safety Plan.

STALLION SPRINGS COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2024

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, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| <u>Account Description</u> | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Pension contributions made after the measurement date | \$ 216,313 | \$ - |
| Difference between actual and proportionate share of employer contributions | 11,757 | (37,799) |
| Adjustment due to differences in proportions | 87,414 | - |
| Differences between expected and actual experience | 98,708 | (11,596) |
| Differences between projected and actual earnings on pension plan investments | 243,058 | - |
| Changes in assumptions | 95,972 | - |
| Total Deferred Outflows/(Inflows) of Resources | \$ 753,222 | \$ (49,395) |

The District will recognize \$216,313 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, 2025.

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, 2024

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:

| <u>Amortization Period</u> <u>Fiscal Year Ended June 30</u> | <u>Deferred</u> <u>Outflows/(Inflows)</u> <u>of Resources</u> |
|--|---|
| 2025 | \$ 167,002 |
| 2026 | 113,854 |
| 2027 | 199,762 |
| 2028 | 6,896 |
| Total | \$ 487,514 |

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ending June 30, 2023 (the measurement dates), the total pension liability was determined by rolling forward the June 30, 2022, total pension liability, respectively. The June 30, 2023, 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 |

STALLION SPRINGS COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2024

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 Class¹</u> | <u>Assumed Asset Allocation</u> | <u>Real Return^{1,2}</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> | |

¹ An expected inflation of 2.30% is used for this period.

² 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 of this disclosure.

STALLION SPRINGS COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2024

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, 2024 for the CalPERS Miscellaneous Plans:

| Plan Type | Plan's Net Pension Liability/(Asset) | | |
|------------------------------|--------------------------------------|------------------|--------------------|
| | Discount Rate - 1% | Current Discount | Discount Rate + 1% |
| | 5.90% | Rate 6.90% | 7.90% |
| CalPERS – Miscellaneous Plan | \$ 1,376,216 | \$ 885,762 | \$ 482,076 |

For the year ended June 30, 2024 for the CalPERS Safety Plans:

| Plan Type | Plan's Net Pension Liability/(Asset) | | |
|-----------------------|--------------------------------------|------------------|--------------------|
| | Discount Rate - 1% | Current Discount | Discount Rate + 1% |
| | 5.90% | Rate 6.90% | 7.90% |
| CalPERS – Safety Plan | \$ 1,131,744 | \$ 728,134 | \$ 398,154 |

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, 2024, the net investment in capital assets was calculated as follows:

| Description | Governmental Activities | Business-Type Activities | Total |
|---|-------------------------|--------------------------|---------------------|
| Net investment in capital assets: | | | |
| Capital assets – not being depreciated | \$ 73,657 | \$ 808,000 | \$ 881,657 |
| Capital assets – being depreciated, net | 3,202,437 | 3,785,507 | 6,987,944 |
| Notes payable – current portion | (157,633) | (329,145) | (486,778) |
| Notes payable – non-current portion | (509,263) | (1,570,386) | (2,079,649) |
| Total net investment in capital assets | \$ 2,609,198 | \$ 2,693,976 | \$ 5,303,174 |

STALLION SPRINGS COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2024

NOTE 8 – FUND BALANCES

At June 30, 2024, fund balances of the District’s governmental funds were classified as follows:

| Description | General Government | Parks and Recreation | Public Safety | Roads | Total Governmental Funds |
|---------------------------|-----------------------|-------------------------|-------------------|-------------------|--------------------------------|
| Committed | | | | | |
| Roads | \$ - | \$ - | \$ - | \$ 203,389 | \$ 203,389 |
| Compensated absences | 28,593 | 2,239 | 72,582 | - | 103,414 |
| Total committed | 28,593 | 2,239 | 72,582 | 203,389 | 306,803 |
| Assigned: | | | | | |
| Parks and recreation | - | 303,721 | - | - | 303,721 |
| Unassigned | 2,640,621 | - | 159,684 | - | 2,800,305 |
| Total fund balance | \$ 2,669,214 | \$ 305,960 | \$ 232,266 | \$ 203,389 | \$ 3,410,829 |

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, 2024

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:

| | | |
|---|---|-----------------------------|
| A. Entity | SDRMA | |
| B. Purpose | To pool member contributions and realize the advantages of self-insurance | |
| C. Participants | As of June 30, 2024 – 503 member agencies | |
| D. Governing board | Seven representatives employed by members | |
| E. District payments for FY 2024: | | |
| Property/Liability policy | \$98,335 | |
| F. Condensed financial information | June 30, 2024 | |
| Statement of net position: | | June 30, 2024 |
| Total assets | | <u>\$ 162,354,367</u> |
| Deferred outflows | | <u>1,620,957</u> |
| Total liabilities | | <u>78,404,034</u> |
| Deferred inflows | | <u>384,924</u> |
| Net position | | <u><u>\$ 85,186,366</u></u> |
| Statement of revenues, expenses and changes in net position: | | |
| Total revenues | | \$ 117,816,189 |
| Total expenses | | <u>(104,151,026)</u> |
| Change in net position | | 13,665,163 |
| Beginning – net position | | <u>71,521,203</u> |
| Ending – net position | | <u><u>\$ 85,186,366</u></u> |
| G. Member agencies share of year-end financial position | | Not Calculated |

At June 30, 2024, 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, 2024

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 2024, 2023, and 2022. 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, 2024, 2023, and 2022.

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 February 18, 2025, the date on 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, 2024

| | Adopted Original Budget | Revised Budget | Actual | Variance Positive (Negative) |
|------------------------------------|--|---------------------------|---------------------|---|
| REVENUES: | | | | |
| Taxes: | | | | |
| Property taxes | \$ 442,000 | \$ 442,000 | \$ 407,012 | \$ (34,988) |
| Special assessments | 500 | 500 | 1,264 | 764 |
| Charges for services | 15,000 | 15,000 | 25,201 | 10,201 |
| Investment earnings | 27,500 | 27,500 | 74,252 | 46,752 |
| Total revenues | 485,000 | 485,000 | 507,729 | 22,729 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Salaries and benefits | 127,800 | 127,800 | 118,411 | 9,389 |
| Materials and services | 32,400 | 32,400 | 25,459 | 6,941 |
| Total expenditures | 160,200 | 160,200 | 143,870 | 16,330 |
| NET CHANGE IN FUND BALANCES | \$ 324,800 | \$ 324,800 | 363,859 | \$ 39,059 |
| FUND BALANCES: | | | | |
| Beginning of year | | | 2,305,355 | |
| End of year | | | <u>\$ 2,669,214</u> | |

STALLION SPRINGS COMMUNITY SERVICES DISTRICT
Budgetary Comparison Schedule – Parks and Recreation Department
For the Fiscal Year Ended June 30, 2024

| | Adopted Original Budget | Revised Budget | Actual | Variance Positive (Negative) |
|------------------------------------|--|---------------------------|-------------------|---|
| REVENUES: | | | | |
| Taxes: | | | | |
| Property taxes | \$ 220,000 | \$ 220,000 | \$ 220,000 | \$ - |
| Charges for services | 98,500 | 98,500 | 136,262 | 37,762 |
| Investment earnings | - | - | 4,179 | 4,179 |
| Total revenues | <u>318,500</u> | <u>318,500</u> | <u>360,441</u> | <u>41,941</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Salaries and benefits | 172,000 | 172,000 | 178,730 | (6,730) |
| Materials and services | 300,500 | 300,500 | 142,441 | 158,059 |
| Capital outlay | 80,000 | 80,000 | 241,372 | (161,372) |
| Total expenditures | <u>552,500</u> | <u>552,500</u> | <u>562,543</u> | <u>(10,043)</u> |
| NET CHANGE IN FUND BALANCES | <u>\$ (234,000)</u> | <u>\$ (234,000)</u> | (202,102) | <u>\$ 31,898</u> |
| FUND BALANCES: | | | | |
| Beginning of year | | | <u>340,512</u> | |
| End of year | | | <u>\$ 138,410</u> | |

STALLION SPRINGS COMMUNITY SERVICES DISTRICT
Budgetary Comparison Schedule – Public Safety Fund
For the Fiscal Year Ended June 30, 2024

| | Adopted Original Budget | Revised Budget | Actual | Variance Positive (Negative) |
|------------------------------------|--|---------------------------|-------------------|---|
| REVENUES: | | | | |
| Taxes: | | | | |
| Property taxes | \$ 500,000 | \$ 500,000 | \$ 500,000 | \$ - |
| Special assessments | 116,000 | 116,000 | 119,715 | 3,715 |
| Charges for services | 2,700 | 2,700 | 3,106 | 406 |
| Federal and state aid | 160,000 | 160,000 | 186,159 | 26,159 |
| Investment earnings | 500 | 500 | 1,809 | 1,309 |
| Total revenues | <u>779,200</u> | <u>779,200</u> | <u>810,789</u> | <u>31,589</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Salaries and benefits | 739,700 | 739,700 | 558,886 | 180,814 |
| Materials and services | 108,900 | 108,900 | 115,964 | (7,064) |
| Total expenditures | <u>848,600</u> | <u>848,600</u> | <u>674,850</u> | <u>173,750</u> |
| NET CHANGE IN FUND BALANCES | <u>\$ (69,400)</u> | <u>\$ (69,400)</u> | 135,939 | <u>\$ 205,339</u> |
| FUND BALANCES: | | | | |
| Beginning of year | | | <u>96,327</u> | |
| End of year | | | <u>\$ 232,266</u> | |

STALLION SPRINGS COMMUNITY SERVICES DISTRICT

Budgetary Comparison Schedule – Roads Fund

For the Fiscal Year Ended June 30, 2024

| | Adopted Original Budget | Revised Budget | Actual | Variance Positive (Negative) |
|------------------------------------|--|---------------------------|-------------------|---|
| REVENUES: | | | | |
| Special assessments | \$ 322,000 | \$ 322,000 | \$ 334,098 | \$ 12,098 |
| Charges for services | - | - | 7,173 | (7,173) |
| Investment earnings | - | - | 11,059 | 11,059 |
| Total revenues | <u>322,000</u> | <u>322,000</u> | <u>352,330</u> | <u>15,984</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Salaries and benefits | 113,482 | 113,482 | 114,452 | (970) |
| Materials and services | 104,165 | 104,165 | 133,146 | (28,981) |
| Debt service: | | | | |
| Principal | 151,936 | 151,936 | 151,936 | - |
| Interest | 30,706 | 30,706 | 30,706 | - |
| Total expenditures | <u>400,289</u> | <u>400,289</u> | <u>430,240</u> | <u>(29,951)</u> |
| NET CHANGE IN FUND BALANCES | <u>\$ (78,289)</u> | <u>\$ (78,289)</u> | <u>(77,910)</u> | <u>\$ (13,967)</u> |
| FUND BALANCES: | | | | |
| Beginning of year | | | <u>281,299</u> | |
| End of year | | | <u>\$ 203,389</u> | |

STALLION SPRINGS COMMUNITY SERVICES DISTRICT
Schedule of Proportionate Share of the Net Pension Liability
For the Fiscal Year Ended June 30, 2024

Last Ten Fiscal Years

California Public Employees' Retirement System (CalPERS) Miscellaneous Plan

| Measurement Date | District's Proportion of the Net Pension Liability | District's Proportionate Share of the Net Pension Liability | District's Covered Payroll | District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll | Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability |
|-------------------------|---|--|-----------------------------------|---|--|
| 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% |
| June 30, 2023 | 0.012937% | 1,613,896 | 1,080,972 | 149.30% | 75.43% |

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 years June 30, 2018 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%.

From fiscal year June 30, 2023 to June 30, 2024:

There were no significant changes in assumptions.

STALLION SPRINGS COMMUNITY SERVICES DISTRICT

Schedule of Pension Contributions

For the Fiscal Year Ended June 30, 2024

Last Ten Fiscal Years

California Public Employees' Retirement System (CalPERS) Miscellaneous Plan

| Fiscal Year | Actuarially Determined Contribution | Contributions in Relation to the Actuarially Determined Contribution | Contribution Deficiency (Excess) | Covered Payroll | Contributions as a Percentage of Covered Payroll |
|--------------------|--|---|---|------------------------|---|
| 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% |
| June 30, 2024 | 216,313 | (216,313) | - | 1,151,656 | 18.78% |

Notes to Schedule:

| Fiscal Year | Valuation Date | Actuarial Cost Method | Asset Valuation Method | Inflation | Investment Rate of Return |
|--------------------|-----------------------|------------------------------|-------------------------------|------------------|----------------------------------|
| June 30, 2015 | June 30, 2013 | Entry Age | Fair Value | 2.75% | 7.65% |
| June 30, 2016 | June 30, 2014 | Entry Age | Fair Value | 2.75% | 7.65% |
| June 30, 2017 | June 30, 2015 | Entry Age | Fair Value | 2.75% | 7.65% |
| June 30, 2018 | June 30, 2016 | Entry Age | Fair Value | 2.75% | 7.15% |
| June 30, 2019 | June 30, 2017 | Entry Age | Fair Value | 2.50% | 7.15% |
| June 30, 2020 | June 30, 2018 | Entry Age | Fair Value | 2.50% | 7.15% |
| June 30, 2021 | June 30, 2019 | Entry Age | Fair Value | 2.50% | 7.15% |
| June 30, 2022 | June 30, 2020 | Entry Age | Fair Value | 2.50% | 7.15% |
| June 30, 2023 | June 30, 2021 | Entry Age | Fair Value | 2.30% | 6.90% |
| June 30, 2024 | June 30, 2022 | Entry Age | Fair 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 expense

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.

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, 2024, 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 February 18, 2025.

Report on 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.

Report on 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
February 18, 2025