

**ROSAMOND COMMUNITY
SERVICES DISTRICT**

ANNUAL FINANCIAL REPORT

**FOR THE YEAR ENDED
JUNE 30, 2018**

**ROSAMOND COMMUNITY SERVICES DISTRICT
LIST OF ELECTED AND APPOINTED OFFICIALS
JUNE 30, 2018**

Elected Officials

BOARD OF DIRECTORS

<u>Title</u>	<u>Director</u>	<u>Term Expires</u>
President	Dennis Shingledecker	December 2018
Vice-President	J. Russell Williford	December 2020
Director	Morrison "Ed" MacKay	December 2018
Director	Byron Glennan	December 2020
Director	Olaf Landsgaard	December 2018

Appointed Official

General Manager

Ronald Smith

**Rosamond Community Services District
3179 35th Street West
Rosamond, California 93560
(661) 256-3411
www.rosamondcsd.com**

ROSAMOND COMMUNITY SERVICES DISTRICT

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

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Jing Wu, CPA

To the Board of Directors
Rosamond Community Services District
Rosamond, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Rosamond Community Services District (District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these basic financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Controller's *Minimum Audit Requirements for California Special Districts*, as well as accounting systems prescribed by the State Controller's Office and State regulations governing special districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.



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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Opinions

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the District, as of June 30, 2018, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America and the State Controller's *Minimum Audit Requirements for California Special Districts*, as well as accounting systems prescribed by the State Controller's Office and State regulations governing special districts.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules relating to the District's net pension liability and pension plan contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB, 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 Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements that collectively comprise the District's basic financial statements. The Schedules of Revenues and Expenses - Budget and Actual for the Water and Wastewater Funds are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedules of Revenues and Expenses - Budget and Actual have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2018, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Rogers, Anderson, Malody & Scott, LLP.

San Bernardino, California
November 15, 2018

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ROSAMOND COMMUNITY SERVICES DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the Rosamond Community Services District (District) provides an introduction to the basic financial statements of the District for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with the basic financial statements and related notes, which follow this section.

Financial Highlights

- Net position increased by 3.9% or \$1,667,595 to \$44,523,379 as a result of this year's operations.
- Total revenues decreased by 3.9% or \$356,481 due primarily the completion of the arsenic project, for which the District received grant funds in prior years.
- Total expenses increased by 9.6% or \$617,438 due primarily to the effects of GASB 68 in pension expense.

Using This Financial Report

This annual report consists of a series of basic financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities and performance of the District using accounting methods similar to those used by private sector companies. The Statement of Net Position includes all of the District's investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for computing a rate of return, evaluating the capital structure of the District, and assessing the liquidity and financial flexibility of the District. All of the current year's revenues and expenses are accounted for in the Statement of Activities. This statement measures the success of the District's operations over the past year and can be used to determine the District's fiscal posturing and credit worthiness.

Government-Wide Financial Statements

Statement of Net Position and Statement of Activities

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Activities report information about the District in a way that helps answer this question. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the District's *net position* and changes in it. Think of the District's net position, the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources, as one way to measure the District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net position are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the District's property tax base and the types of grants the District applies for to assess the *overall financial health* of the District.

ROSAMOND COMMUNITY SERVICES DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

Fund Financial Statements

Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is more narrow than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds Balance Sheet and the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Statement of Cash Flows

The Statement of Cash Flows is presented using the direct method of accounting and includes a reconciliation of operating cash flows to operating income. The Statement of Cash Flows basically provides detailed information about the cash received in the current and previous fiscal year and the uses of the cash received. This is the only cash basis financial statement presented and it reconciles cash receipts and cash expenses to the beginning and ending cash on hand.

Most of the cash received by the District during the fiscal year was from customer service charges; most of the cash uses were for operating expenses.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information (RSI)* and *supplementary information* concerning the District's major fund budgetary information.

ROSAMOND COMMUNITY SERVICES DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

Statement of Net Position

To begin our analysis, a summary of the District's Statement of Net Position is presented in the following table:

Condensed Statement of Net Position

	Governmental Activities		Business-Type Activities		Total District	
	2018	2017	2018	2017	2018	2017
Assets:						
Current and other assets	\$ 626,404	\$ 516,078	\$ 16,522,917	\$ 13,143,764	\$ 17,149,321	\$ 13,659,842
Restricted assets	65,346	28,003	241,003	239,771	306,349	267,774
Noncurrent assets	(1,816,103)	(1,930,156)	9,212,311	9,326,364	7,396,208	7,396,208
Capital assets, net	1,096,258	1,129,399	26,461,281	28,292,646	27,557,539	29,422,045
Total assets	(28,095)	(256,676)	52,437,512	51,002,545	52,409,417	50,745,869
Deferred Outflows of Resources	35,054	82,685	930,598	1,295,387	965,652	1,378,072
Liabilities:						
Current liabilities	75,889	45,721	1,357,957	1,196,353	1,433,846	1,242,074
Noncurrent liabilities	23,262	28,664	6,917,150	7,414,697	6,940,412	7,443,361
Total liabilities	99,151	74,385	8,275,107	8,611,050	8,374,258	8,685,435
Deferred Inflows of Resources	17,331	34,963	460,101	547,759	477,432	582,722
Net Position:						
Net investment in capital assets	1,096,258	1,129,399	19,576,717	20,861,220	20,672,975	21,990,619
Restricted	65,346	28,003	241,003	239,771	306,349	267,774
Unrestricted	(1,271,127)	(1,440,741)	24,815,182	22,038,132	23,544,055	20,597,391
Total net position (deficit)	\$ (109,523)	\$ (283,339)	\$ 44,632,902	\$ 43,139,123	\$ 44,523,379	\$ 42,855,784

As noted earlier, net position may, over time, serve 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 \$44,523,379 as of June 30, 2018. Compared to prior year, net position of the District increased by 3.9%, or \$1,667,595. The District's net position is made up of three components: 1) net investment in capital assets of \$20,672,975; 2) restricted of \$306,349; and 3) unrestricted of \$23,544,055.

ROSAMOND COMMUNITY SERVICES DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

Statement of Activities

The following table is a summary of the Statement of Activities for the year ended June 30, 2018.

Condensed Statement of Activities

	Governmental Activities		Business-Type Activities		Total District	
	2018	2017	2018	2017	2018	2017
Revenues						
Program revenues:						
Charges for services	\$ 414,752	\$ 424,666	\$ 7,774,708	\$ 7,867,694	\$ 8,189,460	\$ 8,292,360
Operating grants and contributions	-	-	-	239,848	-	239,848
Capital grants and contributions	-	-	-	68,000	-	68,000
General revenues:						
Property taxes	299,358	271,983	-	-	299,358	271,983
Interest earnings and other revenue	4,885	19,958	241,150	177,411	246,035	197,369
Gain on sale of capital assets	-	-	-	21,774	-	21,774
Total revenues	718,995	716,607	8,015,858	8,374,727	8,734,853	9,091,334
Expenses						
Salaries and benefits	118,007	135,701	2,241,659	1,481,293	2,359,666	1,616,994
Operations	378,274	300,532	1,931,828	2,075,548	2,310,102	2,376,080
Depreciation	48,898	48,667	2,166,889	2,150,061	2,215,787	2,198,728
Interest	-	-	181,703	258,018	181,703	258,018
Total expenses	545,179	484,900	6,522,079	5,964,920	7,067,258	6,449,820
Change in net position	173,816	231,707	1,493,779	2,409,807	1,667,595	2,641,514
Net position (deficit), beginning of year	(283,339)	(515,046)	43,139,123	40,729,316	42,855,784	40,214,270
Net position (deficit), end of year	\$ (109,523)	\$ (283,339)	\$ 44,632,902	\$ 43,139,123	\$ 44,523,379	\$ 42,855,784

ROSAMOND COMMUNITY SERVICES DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

Budgetary Highlights

The District adopts an annual budget each year to project the expected coming year's operations. The budget includes proposed expenses and the means of financing them. The District's budget is reviewed quarterly by senior management and a midyear budget is prepared for the Board of Directors to account for changes in assumptions and economic conditions subsequent to its original adoption. Budget versus actual comparison is analyzed by management throughout the year.

A 2018 budget versus actual comparison combined for governmental and business-type activities is presented in the tables below:

**Budget vs. Actual Comparison – Governmental Activities
Year Ended June 30, 2018**

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
REVENUES			
Property taxes	\$ 299,358	\$ 252,800	\$ 46,558
Special assessments	303,365	278,200	25,165
Charges for services	111,387	104,200	7,187
Interest earnings	4,885	4,370	515
	<u>718,995</u>	<u>639,570</u>	<u>79,425</u>
EXPENDITURES			
Parks and recreation	329,842	523,258	193,416
Street lighting	157,469	168,135	10,666
	<u>487,311</u>	<u>691,393</u>	<u>204,082</u>
Net change	<u>\$ 231,684</u>	<u>\$ (51,823)</u>	<u>\$ 283,507</u>

ROSAMOND COMMUNITY SERVICES DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

**Budget vs. Actual Comparison – Business-Type Activities
Year Ended June 30, 2018**

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
OPERATING REVENUES			
Water consumption sales	\$ 4,525,090	\$ 4,223,775	\$ 301,315
Wastewater service charges	<u>3,249,618</u>	<u>3,215,025</u>	<u>34,593</u>
Total operating revenues	<u>7,774,708</u>	<u>7,438,800</u>	<u>335,908</u>
 OPERATING EXPENSES			
Salaries and benefits	2,241,659	2,003,120	(238,539)
Operations	<u>1,931,828</u>	<u>2,099,240</u>	<u>167,412</u>
Total operating expenses	<u>4,173,487</u>	<u>4,102,360</u>	<u>(71,127)</u>
Operating income before depreciation	3,601,221	3,336,440	264,781
Depreciation expense	<u>(2,166,889)</u>	<u>(2,139,781)</u>	<u>(27,108)</u>
Operating income	<u>1,434,332</u>	<u>1,196,659</u>	<u>237,673</u>
 NONOPERATING REVENUES (EXPENSES)			
Interest earnings	198,898	136,756	62,142
Interest expense	(181,703)	(184,309)	2,606
Other revenue	<u>42,252</u>	<u>25,000</u>	<u>17,252</u>
Total nonoperating revenues (expenses)	<u>59,447</u>	<u>(22,553)</u>	<u>82,000</u>
Change in net position	<u>\$ 1,493,779</u>	<u>\$ 1,174,106</u>	<u>\$ 319,673</u>

Business-type funds budget for the payment of debt principal as a way of recognizing the need for financial resources to meet the obligations. However, the payment of principal is not treated as an expense, but rather as a reduction of a liability. Therefore, it is removed from the budget column in this schedule in order to be more accurately comparable to the actual column. When these payments are added back to the number presented above, the totals agree to the approved respective budgets.

Budget - as reported above	\$ 1,174,106
Budgeted principal payments - water	(158,170)
Budgeted principal payments - sewer	<u>(427,908)</u>
Total	<u>\$ 588,028</u>
Approved budget - water	\$ 177,405
Approved budget - sewer	410,623
Total	<u>\$ 588,028</u>

ROSAMOND COMMUNITY SERVICES DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

Capital Asset Administration

Capital Assets

	Governmental Activities		Business-Type Activities		Total District	
	2018	2017	2018	2017	2018	2017
Capital assets:						
Non-depreciable assets	\$ 678,441	\$ 678,441	\$ 4,614,512	\$ 4,402,392	\$ 5,292,953	\$ 5,080,833
Depreciable assets	1,025,606	1,009,849	63,618,598	63,495,194	64,644,204	64,505,043
Total capital assets	<u>1,704,047</u>	<u>1,688,290</u>	<u>68,233,110</u>	<u>67,897,586</u>	<u>69,937,157</u>	<u>69,585,876</u>
Accumulated depreciation	(607,789)	(558,891)	(41,771,829)	(39,604,940)	(42,379,618)	(40,163,831)
Total capital assets, net	<u>\$ 1,096,258</u>	<u>\$ 1,129,399</u>	<u>\$ 26,461,281</u>	<u>\$ 28,292,646</u>	<u>\$ 27,557,539</u>	<u>\$ 29,422,045</u>

At the end of fiscal year 2018, the District's investment in capital assets amounted to \$27,557,539 (net of accumulated depreciation). This investment in capital assets includes land, buildings, building improvements, furnishings and equipment, collection and distribution systems, tanks, wells, water treatment facilities, and construction-in-progress. Major capital asset additions in the business-type activities area included a large purchase of smart meters in anticipation of completing the District's meter replacement project. The capital assets of the District are more fully analyzed in Note 8 to the basic financial statements.

Long-Term Debt Administration

Long-Term Debt

	Governmental Activities		Business-Type Activities		Total District	
	2018	2017	2018	2017	2018	2017
Long-term debt:						
Net pension liability	\$ 13,581	\$ 19,374	\$ 360,539	\$ 302,785	\$ 374,120	\$ 322,159
Loans payable	-	-	6,884,564	7,431,426	6,884,564	7,431,426
	<u>\$ 13,581</u>	<u>\$ 19,374</u>	<u>\$ 7,245,103</u>	<u>\$ 7,734,211</u>	<u>\$ 7,258,684</u>	<u>\$ 7,753,585</u>

Long-term debt decreased due to authorized repayments of \$546,862 in notes payable during the fiscal year. The long-term debt of the District is more fully analyzed in Note 10 of the basic financial statements.

Conditions Affecting Current Financial Position

Parks and Recreation operated in a surplus this year but still has a significant fund balance deficit. During the fiscal year 2018, the District placed a Uniform Parcel Tax, Measure A, on the ballot for a special election in March. It failed by 78% and the District returned the park to the County of Kern and divested itself of the powers of Parks and Recreation.

ROSAMOND COMMUNITY SERVICES DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

Requests for Information

This financial report is designed to provide the District's funding sources, customers, stakeholders and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the District's General Manager at 3179 35th Street West, Rosamond, California 93560 or (661) 256-3411.

BASIC FINANCIAL STATEMENTS

ROSAMOND COMMUNITY SERVICES DISTRICT

**STATEMENT OF NET POSITION
JUNE 30, 2018**

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents (Note 2)	\$ 516,676	\$ 15,231,501	\$ 15,748,177
Accrued interest receivable	469	4,293	4,762
Accounts receivable - utilities, net (Note 4)	7,261	634,688	641,949
Accounts receivable - other (Note 4)	101,998	353,525	455,523
Materials and supplies inventory	-	205,414	205,414
Prepaid expenses and other deposits	-	93,496	93,496
	<hr/>	<hr/>	<hr/>
Total current assets	626,404	16,522,917	17,149,321
Noncurrent assets:			
Restricted - cash and cash equivalents (Notes 2 and 3)	65,346	241,003	306,349
Banked water inventory (Note 6)	-	1,396,208	1,396,208
Internal balances (Note 5)	(1,816,103)	1,816,103	-
Investment in water banking - JPA (Note 7)	-	6,000,000	6,000,000
Capital assets, not being depreciated (Note 8)	678,441	4,614,512	5,292,953
Depreciable capital assets, net (Note 8)	417,817	21,846,769	22,264,586
	<hr/>	<hr/>	<hr/>
Total noncurrent assets	(654,499)	35,914,595	35,260,096
	<hr/>	<hr/>	<hr/>
Total assets	(28,095)	52,437,512	52,409,417
DEFERRED OUTFLOWS OF RESOURCES			
Pension related (Note 12)	35,054	930,598	965,652
	<hr/>	<hr/>	<hr/>

See accompanying notes to the basic financial statements.

ROSAMOND COMMUNITY SERVICES DISTRICT

**STATEMENT OF NET POSITION, CONTINUED
JUNE 30, 2018**

	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	\$ 56,240	\$ 417,496	\$ 473,736
Accrued wages and related payables	1,422	66,179	67,601
Customer deposits	15,000	203,629	218,629
Accrued interest on long-term debt	-	32,872	32,872
Long-term liabilities - due within one year:			
Compensated absences (Note 9)	3,227	77,457	80,684
Notes payable (Note 10)	-	560,324	560,324
Total current liabilities	75,889	1,357,957	1,433,846
Noncurrent liabilities:			
Long-term liabilities - due within more than one year:			
Compensated absences (Note 9)	9,681	232,371	242,052
Notes payable (Note 10)	-	6,324,240	6,324,240
Net pension liability	13,581	360,539	374,120
Total noncurrent liabilities	23,262	6,917,150	6,940,412
Total liabilities	99,151	8,275,107	8,374,258
DEFERRED INFLOWS OF RESOURCES			
Pension related (Note 12)	17,331	460,101	477,432
NET POSITION			
Net investment in capital assets (Note 11)	1,096,258	19,576,717	20,672,975
Restricted (Note 11)	65,346	241,003	306,349
Unrestricted	(1,271,127)	24,815,182	23,544,055
Total net position (deficit)	\$ (109,523)	\$ 44,632,902	\$ 44,523,379

See accompanying notes to the basic financial statements.

ROSAMOND COMMUNITY SERVICES DISTRICT

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
Parks and recreation	\$ 387,710	\$ 168,062	\$ -	\$ -	\$ (219,648)	\$ -	\$ (219,648)
Street lighting	157,469	246,690	-	-	89,221	-	89,221
Total governmental activities	545,179	414,752	-	-	(130,427)	-	(130,427)
Business-type activities:							
Water	4,062,258	4,525,090	-	-	-	462,832	462,832
Wastewater	2,459,821	3,249,618	-	-	-	789,797	789,797
Total business-type activities	6,522,079	7,774,708	-	-	-	1,252,629	1,252,629
Total	<u>\$ 7,067,258</u>	<u>\$ 8,189,460</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(130,427)</u>	<u>1,252,629</u>	<u>1,122,202</u>
		General revenues:					
		Property taxes			299,358	-	299,358
		Interest earnings			4,885	198,898	203,783
		Other revenue			-	42,252	42,252
		Total general revenues			304,243	241,150	545,393
		Change in net position			173,816	1,493,779	1,667,595
		Net position (deficit), beginning of year			(283,339)	43,139,123	42,855,784
		Net position (deficit), end of year			<u>\$ (109,523)</u>	<u>\$ 44,632,902</u>	<u>\$ 44,523,379</u>

See accompanying notes to the basic financial statements.

ROSAMOND COMMUNITY SERVICES DISTRICT**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018**

	<u>Parks and Recreation</u>	<u>Street Lighting</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents (Note 2)	\$ 283,124	\$ 233,552	\$ 516,676
Accrued interest receivable	469	-	469
Accounts receivable - utilities, net (Note 4)	-	7,261	7,261
Accounts receivable - other (Note 4)	101,998	-	101,998
Restricted assets:			
Cash and cash equivalents (Note 3)	<u>65,346</u>	<u>-</u>	<u>65,346</u>
Total assets	<u>\$ 450,937</u>	<u>\$ 240,813</u>	<u>\$ 691,750</u>
LIABILITIES			
Accounts payable and accrued expenses	\$ 46,280	\$ 9,960	\$ 56,240
Accrued wages and related payables	1,422	-	1,422
Customer deposits	-	15,000	15,000
Internal balances (Note 5)	<u>1,748,582</u>	<u>67,521</u>	<u>1,816,103</u>
Total liabilities	<u>1,796,284</u>	<u>92,481</u>	<u>1,888,765</u>
FUND BALANCES			
Restricted	65,346	-	65,346
Unassigned	<u>(1,410,693)</u>	<u>148,332</u>	<u>(1,262,361)</u>
Total fund balances	<u>(1,345,347)</u>	<u>148,332</u>	<u>(1,197,015)</u>
Total liabilities and fund balances	<u>\$ 450,937</u>	<u>\$ 240,813</u>	<u>\$ 691,750</u>

See accompanying notes to the basic financial statements.

ROSAMOND COMMUNITY SERVICES DISTRICT

**RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2018**

Fund balances (deficit) of governmental funds \$ (1,197,015)

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. However, the statement of net position includes those capital assets among the assets of the District as a whole. The historical acquisition cost of the assets is \$1,704,047 and the accumulated depreciation is \$607,789.

1,096,258

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

Compensated absences	(12,908)
Net pension liability	(13,581)

Deferred inflows and outflows of resources related to pensions have not been included in the governmental fund activity.

Deferred outflows of resources	35,054
Deferred inflows of resources	<u>(17,331)</u>

Net position (deficit) of governmental activities \$ (109,523)

ROSAMOND COMMUNITY SERVICES DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Parks and Recreation</u>	<u>Street Lighting</u>	<u>Total Governmental Funds</u>
REVENUES			
Property taxes	\$ 295,977	\$ 3,381	\$ 299,358
Special assessments	139,076	164,289	303,365
Charges for services	28,986	82,401	111,387
Interest earnings	4,233	652	4,885
	<hr/>	<hr/>	<hr/>
Total revenues	468,272	250,723	718,995
	<hr/>	<hr/>	<hr/>
EXPENDITURES			
Parks and recreation	329,842	-	329,842
Street lighting	-	157,469	157,469
	<hr/>	<hr/>	<hr/>
Total expenditures	329,842	157,469	487,311
	<hr/>	<hr/>	<hr/>
Net change in fund balances	138,430	93,254	231,684
Fund balances (deficit), beginning of year	(1,483,777)	55,078	(1,428,699)
	<hr/>	<hr/>	<hr/>
Fund balances (deficit), end of year	<u>\$ (1,345,347)</u>	<u>\$ 148,332</u>	<u>\$ (1,197,015)</u>

See accompanying notes to the basic financial statements.

ROSAMOND COMMUNITY SERVICES DISTRICT

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

Net change in fund balances - total governmental funds \$ 231,684

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

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

Depreciation expense	\$ (48,898)	
Capital Outlay	<u>15,757</u>	(33,141)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds as follows:

Change in compensated absences	(521)
Pension related net adjustments	<u>(24,206)</u>

Change in net position of governmental activities \$ 173,816

ROSAMOND COMMUNITY SERVICES DISTRICT

**STATEMENT OF NET POSITION – ENTERPRISE FUNDS
JUNE 30, 2018**

	<u>Water</u>	<u>Wastewater</u>	<u>Total Business-Type Activities</u>
ASSETS			
Current assets:			
Cash and cash equivalents (Note 2)	\$ 4,219,792	\$ 11,011,709	\$ 15,231,501
Accrued interest receivable	2,143	2,150	4,293
Accounts receivable - utilities, net (Note 4)	426,231	208,457	634,688
Accounts receivable - other (Note 4)	305,837	47,688	353,525
Materials and supplies inventory	205,414	-	205,414
Prepaid expenses and other deposits	84,833	8,663	93,496
	<u>5,244,250</u>	<u>11,278,667</u>	<u>16,522,917</u>
Total current assets			
Noncurrent assets:			
Restricted - cash and cash equivalents (Notes 2 and 3)	213,768	27,235	241,003
Banked water inventory (Note 6)	1,396,208	-	1,396,208
Internal balances (Note 5)	-	2,190,790	2,190,790
Investment in water banking - JPA (Note 7)	6,000,000	-	6,000,000
Capital assets, not being depreciated (Note 8)	3,901,656	712,856	4,614,512
Capital assets, net (Note 8)	<u>11,270,446</u>	<u>10,576,323</u>	<u>21,846,769</u>
	<u>22,782,078</u>	<u>13,507,204</u>	<u>36,289,282</u>
Total noncurrent assets			
	<u>28,026,328</u>	<u>24,785,871</u>	<u>52,812,199</u>
Total assets			
DEFERRED OUTFLOWS OF RESOURCES			
Pension related (Note 12)	582,192	348,406	930,598
	<u>582,192</u>	<u>348,406</u>	<u>930,598</u>

See accompanying notes to the basic financial statements.

ROSAMOND COMMUNITY SERVICES DISTRICT

**STATEMENT OF NET POSITION – ENTERPRISE FUNDS, CONTINUED
JUNE 30, 2018**

	<u>Water</u>	<u>Wastewater</u>	<u>Total Business-Type Activities</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	\$ 136,695	\$ 280,801	\$ 417,496
Accrued wages and related payables	42,938	23,241	66,179
Customer deposits	72,633	130,996	203,629
Accrued interest on long-term debt	-	32,872	32,872
Long-term liabilities - due within one year:			
Compensated absences (Note 9)	42,680	34,777	77,457
Notes payable (Note 10)	139,505	420,819	560,324
	<u>434,451</u>	<u>923,506</u>	<u>1,357,957</u>
Total current liabilities			
Noncurrent liabilities:			
Long-term liabilities - due within more than one year:			
Compensated absences (Note 9)	128,041	104,330	232,371
Notes payable (Note 10)	1,481,318	4,842,922	6,324,240
Internal balances (Note 5)	374,687	-	374,687
Net pension liability (Note 12)	225,557	134,982	360,539
	<u>2,209,603</u>	<u>5,082,234</u>	<u>7,291,837</u>
Total noncurrent liabilities			
	<u>2,644,054</u>	<u>6,005,740</u>	<u>8,649,794</u>
Total liabilities			
DEFERRED INFLOWS OF RESOURCES			
Pension related (Note 12)	287,843	172,258	460,101
	<u>287,843</u>	<u>172,258</u>	<u>460,101</u>
NET POSITION			
Net investment in capital assets (Note 11)	13,551,279	6,025,438	19,576,717
Restricted (Note 11)	213,768	27,235	241,003
Unrestricted	11,911,576	12,903,606	24,815,182
	<u>11,911,576</u>	<u>12,903,606</u>	<u>24,815,182</u>
Total net position	<u>\$ 25,676,623</u>	<u>\$ 18,956,279</u>	<u>\$ 44,632,902</u>

See accompanying notes to the basic financial statements.

ROSAMOND COMMUNITY SERVICES DISTRICT

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Water</u>	<u>Wastewater</u>	<u>Total Business-Type Activities</u>
OPERATING REVENUES			
Water consumption sales	\$ 4,525,090	\$ -	\$ 4,525,090
Wastewater service charges	-	3,249,618	3,249,618
Total operating revenues	<u>4,525,090</u>	<u>3,249,618</u>	<u>7,774,708</u>
OPERATING EXPENSES			
Salaries and benefits	1,345,101	896,558	2,241,659
Operations	<u>1,193,170</u>	<u>738,658</u>	<u>1,931,828</u>
Total operating expenses	<u>2,538,271</u>	<u>1,635,216</u>	<u>4,173,487</u>
Operating income before depreciation	1,986,819	1,614,402	3,601,221
Depreciation expense	<u>(1,486,881)</u>	<u>(680,008)</u>	<u>(2,166,889)</u>
Operating income	<u>499,938</u>	<u>934,394</u>	<u>1,434,332</u>
NONOPERATING REVENUES (EXPENSES)			
Interest earnings	43,948	154,950	198,898
Interest expense	(37,106)	(144,597)	(181,703)
Other revenue	<u>41,693</u>	<u>559</u>	<u>42,252</u>
Total nonoperating revenues (expenses)	<u>48,535</u>	<u>10,912</u>	<u>59,447</u>
Change in net position	548,473	945,306	1,493,779
Net position, beginning of year	<u>25,128,150</u>	<u>18,010,973</u>	<u>43,139,123</u>
Net position, end of year	<u>\$ 25,676,623</u>	<u>\$ 18,956,279</u>	<u>\$ 44,632,902</u>

See accompanying notes to the basic financial statements.

ROSAMOND COMMUNITY SERVICES DISTRICT

**STATEMENT OF CASH FLOWS – ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Water</u>	<u>Wastewater</u>	<u>Total Business-Type Activities</u>
Cash flows from operating activities:			
Cash receipts from customers	\$ 4,510,898	\$ 3,273,742	\$ 7,784,640
Cash paid to employees for salaries and benefits	(1,113,641)	(770,985)	(1,884,626)
Cash paid to vendors and suppliers	(1,227,413)	(574,258)	(1,801,671)
Net cash provided by operating activities	<u>2,169,844</u>	<u>1,928,499</u>	<u>4,098,343</u>
Cash flows from noncapital financing activities:			
Other noncapital revenue	41,693	559	42,252
Cash received (used) for Parks and Recreation Fund loans	(21,549)	142,233	120,684
Net cash provided by noncapital financing activities	<u>20,144</u>	<u>142,792</u>	<u>162,936</u>
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(97,877)	(237,647)	(335,524)
Principal payments on notes payable	(136,622)	(410,240)	(546,862)
Interest payments on notes payable	(37,106)	(147,151)	(184,257)
Net cash used by capital and related financing activities	<u>(271,605)</u>	<u>(795,038)</u>	<u>(1,066,643)</u>
Cash flows from investing activities:			
Interest earnings	41,849	146,547	188,396
Net cash provided by investing activities	<u>41,849</u>	<u>146,547</u>	<u>188,396</u>
Net increase in cash and cash equivalents	1,960,232	1,422,800	3,383,032
Cash and cash equivalents, beginning of year	<u>2,473,328</u>	<u>9,616,144</u>	<u>12,089,472</u>
Cash and cash equivalents, end of year	<u>\$ 4,433,560</u>	<u>\$ 11,038,944</u>	<u>\$ 15,472,504</u>
Reconciliation to the Statement of Net Position			
Cash and cash equivalents	\$ 4,219,792	\$ 11,011,709	\$ 15,231,501
Restricted cash and cash equivalents	213,768	27,235	241,003
	<u>\$ 4,433,560</u>	<u>\$ 11,038,944</u>	<u>\$ 15,472,504</u>

See accompanying notes to the basic financial statements.

ROSAMOND COMMUNITY SERVICES DISTRICT

**STATEMENT OF CASH FLOWS – ENTERPRISE FUNDS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Water</u>	<u>Wastewater</u>	<u>Total Business-Type Activities</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 499,938	\$ 934,394	\$ 1,434,332
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	1,486,881	680,008	2,166,889
Changes in assets and liabilities:			
(Increase) decrease in assets:			
Accounts receivable - utilities, net	(15,521)	(6,581)	(22,102)
Accounts receivable - other	12,071	5,018	17,089
Materials and supplies inventory	(5,978)	-	(5,978)
Prepaid expenses and other deposits	12,988	4,521	17,509
Deferred outflows of resources	217,090	147,699	364,789
Increase (decrease) in liabilities:			
Accounts payable and accrued expenses	(41,253)	159,879	118,626
Accrued wages and related payables	10,653	4,796	15,449
Customer deposits	(10,742)	25,687	14,945
Compensated absences	15,127	(8,426)	6,701
Deferred inflows of resources	(50,137)	(37,521)	(87,658)
Net pension liability	38,727	19,025	57,752
Total adjustments	<u>1,669,906</u>	<u>994,105</u>	<u>2,664,011</u>
Net cash provided by operating activities	<u>\$ 2,169,844</u>	<u>\$ 1,928,499</u>	<u>\$ 4,098,343</u>

See accompanying notes to the basic financial statements.

ROSAMOND COMMUNITY SERVICES DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Operations of the Reporting Entity

The Rosamond Community Services District (District) serves as the local government for the community of Rosamond in Kern County, California. The District is similar to a city government, supplying such services as parks and recreation, potable water, wastewater treatment, and street lighting. The District exists under California State law governing special districts (Government Code, Sec. 61000 et. seq.). The District was established by resolution of the Kern County Board of Supervisors for the purpose of providing infrastructure services for the newly developing community of Rosamond. 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 District is based on the provisions of Governmental Accounting Standards Board (GASB) Statements No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and 34*, and No. 39, *Determining Whether Certain Organizations Are Component Units (an amendment of GASB Statement No. 14)*. 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 blended or discretely-presented component units.

B. Basis of Accounting and Measurement Focus

The *basic financial statements* of the District are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the basic financial statements

Government-Wide Financial Statements

These statements are presented on an *economic resources* measurement focus and the accrual basis of accounting for both governmental and business-type activities. Accordingly, all of the District's assets and liabilities, including capital assets, deferred outflows of resources and deferred inflows of resources are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, such as unbilled but utilized utility services revenues and expenses, are recorded at year-end.

ROSAMOND COMMUNITY SERVICES DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Accounting and Measurement Focus (Continued)

Government-Wide Financial Statements (Continued)

The Statement of Activities demonstrates the degree to which the operating expenses of a given function are offset by operating revenues. Operating expenses are those that are clearly identifiable with a specific function. The types of transactions reported as operating revenues for the District are charges for services directly related to the operations of the District. Charges for services include revenues from customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by the District. Taxes, operating grants, and other items not properly included among operating revenues are reported instead as nonoperating revenues. Contributed capital and capital grants are included as capital contributions.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and enterprise fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

Fund Financial Statements

These statements include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances for all major governmental funds. Accompanying these statements is a schedule to reconcile and explain the differences in fund balances as presented in these statements to the net position presented in the Government-Wide Financial Statements.

ROSAMOND COMMUNITY SERVICES DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Accounting and Measurement Focus (Continued)

Fund Financial Statements (Continued)

Governmental funds are accounted for on a spending or *current financial resources* measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in fund balance. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become measurable and available to finance expenditures of the current fiscal year. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60-days after year-end) are recognized when due. The primary sources susceptible to accrual for the District are property tax, interest earnings, investment revenue, and operating and capital grant revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. However, exceptions to this rule include principal and interest on debt, which are recognized when due.

The accrual basis of accounting is followed by the enterprise funds. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, such as unbilled but utilized utility services, are recorded at year-end. The types of transactions reported as program revenues for the District are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred, regardless of when the related cash flows take place. Operating revenues and expenses, such as water sales, wastewater service, solid waste collection, and purchases of water, result from exchange transactions associated with the principal activity of the District. Exchange transactions are those in which each party receives and gives up essentially equal values. Management, administration, and depreciation expenses are also considered operating expenses. Other revenues and expenses not included in the above categories, such as interest income and interest expense, are reported as nonoperating revenues and expenses.

The District has elected to follow all pronouncements of the Governmental Accounting Standards Board (GASB).

ROSAMOND COMMUNITY SERVICES DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Accounting and Measurement Focus (Continued)

Fund Financial Statements (Continued)

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity with a self-balancing set of accounts established for the purpose of carrying out specific activities or attaining certain objectives in accordance with specific regulations, restrictions, or limitations.

Funds are organized into two major categories: governmental and enterprise categories. An emphasis is placed on major funds within the governmental and enterprise categories. A fund is considered major if it is the primary operation fund of the District or meets the following criteria:

- a) Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent (10%) of the corresponding total for all funds of that category or type; and
- b) Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent (5%) of the corresponding total for all governmental and proprietary funds combined.
- c) The District has determined that a fund is important to the financial statement user.

The funds of the District are described below:

Governmental Funds

Parks and Recreation - This fund is used to account for all parks and recreation activities within the District.

Street Lighting - This fund is used to account for all street lighting activities within the District.

Enterprise Funds

Water - This fund accounts for the water transmission and distribution operations of the District.

Wastewater - This fund accounts for the wastewater service operations of the District.

ROSAMOND COMMUNITY SERVICES DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Financial Statement Elements

1. Cash and Cash Equivalents

Substantially all of the District's cash is invested in interest bearing accounts. The District considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

2. Accounts Receivable

The District extends credit to customers in the normal course of operations. Management reviews all accounts receivable as collectible.

3. Property Taxes and Assessments

The Kern County Assessor's Office assesses all real and personal property within Kern County each year. The Kern County Tax Collector's Office bills and collects the District's share of property taxes and/or tax assessments. The Kern County Treasurer's Office remits current and delinquent property tax collections to the District throughout the year. Property tax in California is levied in accordance with Article 13A of the State Constitution at one percent (1%) of countywide assessed valuations.

Property taxes and assessments receivable at year-end are related to property taxes and special assessments collected by Kern County, which have not been credited to the District's cash balance as of June 30, 2018. The property tax calendar is as follows:

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

4. Prepaid Expenses

Certain payments to vendors reflect costs or deposits applicable to future accounting periods and are recorded as prepaid items in the basic financial statements.

5. Banked Water Inventory

The amount of banked water is recorded at historical cost.

ROSAMOND COMMUNITY SERVICES DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Financial Statement Elements (Continued)

6. Capital Assets

Capital assets acquired and/or constructed are capitalized at historical cost. District policy has set the capitalization threshold for reporting capital assets at \$5,000. Donated assets are recorded at estimated fair market value at the date of donation and/or historical cost. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances and any gains or losses are recognized. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Governmental Activities

- Infrastructure, street lighting - 30 to 40 years
- Vehicles and equipment - 5 to 10 years

Business-Type Activities

- Facility and systems - 10 to 40 years
- Vehicles and equipment - 5 to 10 years

7. Materials and Supplies Inventory

Materials and supplies inventory consists primarily of meters and registers, valves, and hydrants. Inventory is recorded using historical cost and estimates of the amounts available on hand.

8. Net Position/Fund Balances

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

- Net Investment in Capital Assets - This component of net position consists of capital assets, net of accumulated depreciation, and reduced by any outstanding debt against the acquisition, construction, or improvement of those assets.
- Restricted Net Position - This component of net position consists of net position that is restricted for a specific use and is not available for the general use of the District.
- Unrestricted Net Position - This component of net position consists of net position that does not meet the definition of *restricted* or *net investment in capital assets*.

ROSAMOND COMMUNITY SERVICES DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Financial Statement Elements (Continued)

8. Net Position/Fund Balances (Continued)

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

- Nonspendable fund balance - amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact. Amounts reported in the Balance Sheet are reported for prepaid expenses and other deposits.
- Restricted fund balance - amounts with constraints placed on their use that are either (a) externally imposed creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.
- Committed fund balance - amounts that can only be used for specific purposes determined by formal action of the District's highest level of decision-making authority (the Board of Directors) and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.
- Assigned fund balance - amounts that are constrained by the District's intent to be used for specific purposes. The intent can be established at either the highest level of decision-making authority, or by a body or an official designated for that purpose. The amounts reflected in the Balance Sheet represent funds assigned due to the purpose of the fund.
- Unassigned fund balance - the residual classification for the District's governmental funds that include amounts not contained in the other classifications.

The Board of Directors establishes, modifies, or rescinds fund balance commitments and assignments by passage of an ordinance or resolution. This is done through the adoption of the budget and subsequent budget amendments that occur throughout the year. The District's Board of Directors has the authority to set aside funds as assigned for an intended purpose. The Board of Directors authorizes the General Manager as designee in identifying intended uses of funds and assigning residual balances. Any such assignments will be presented at regular financial and budget reporting periods. Board action to approve such financial and budget reports will represent ratification of any such assignments. The Board of Directors may determine the need to assign funds for an intended use.

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

ROSAMOND COMMUNITY SERVICES DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (Continued)**

C. Financial Statement Elements (Continued)

9. Fund Balance Deficit

The deficit in the Parks and Recreation Fund as of June 30, 2018, in the amount of \$(1,345,347) is expected to be covered in the near term with interfund transfers. In the future, the District is contemplating several new funding mechanisms that if it goes through, would cover operations.

10. Utility Sales

Utility sales are billed on a monthly basis. Estimated unbilled utility revenue through June 30, 2018 has been accrued at year-end for the Enterprise Funds.

11. Capital Contributions

Capital contributions represent cash and capital asset additions contributed to the District by property owners, granting agencies, or real estate developers desiring services that require capital connection expenses or capacity commitment.

12. Interfund Transactions

Interfund transactions are reflected as either loans, services provided, reimbursements, or transfers. Loans are reported as receivables and payables, as appropriate, and are subject to elimination upon consolidation (i.e., the current portion of interfund loans). Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

13. Budgetary Policies

The District follows specific procedures in establishing the budgetary data reflected in the basic financial statements. In accordance with District Ordinance 078-1, prior to May 1, each year the District Manager submits to the Board of Directors a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year. Public hearings are conducted to obtain taxpayer comments. Prior to June 30 the budget is legally enacted through passage of a Board of Directors resolution. Budgets for the Enterprise Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

The Board of Directors must approve all supplemental appropriations to the budget and transfers between funds. The legal level of budgetary control is at the fund level. Budget information is presented as required supplementary information for the Parks and Recreation Fund and all major special revenue funds.

ROSAMOND COMMUNITY SERVICES DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Financial Statement Elements (Continued)

14. California State Water Project (SWP)

The SWP is a water storage and delivery system of reservoirs, aqueducts, power plants, and pumping plants. Its main purpose is to store water and distribute it to 29 urban and agricultural water suppliers in Northern California, the San Francisco Bay Area, the San Joaquin Valley, the Central Coast, and Southern California. Of the contracted water supply, 70 percent goes to urban users and 30 percent goes to agricultural users. The District at times will purchase water from a SWP contractor depending on availability and allocations.

15. Use of Estimates

The preparation of the basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the basic financial statements and the reported changes in net position during the reporting period. Actual results could differ from those estimates.

16. Pension Plan

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. CalPERS audited financial statements are publicly available reports that can be obtained at CalPERS' website, at www.calpers.ca.gov.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used.

Valuation Date (VD)	June 30, 2016
Measurement Date (MD)	June 30, 2017
Measurement Period (MP)	July 1, 2016 to June 30, 2017

17. Status of Prior Year Special Item

The District purchased 210 acres of real property located in the County of Los Angeles, State of California, which includes adjudicated water rights overlying the Antelope Valley Groundwater Basin. The District, while maintaining ownership over the real property, intends to sell adjudicated and appurtenant surface water rights to ground and/or percolating water rights to developers. In prior years, the sale of these water rights was presented as a special item.

ROSAMOND COMMUNITY SERVICES DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of June 30, 2018, are classified as follows:

Statement of Net Position:	
Cash and cash equivalents	\$ 15,748,177
Restricted cash and cash equivalents	<u>306,349</u>
 Total cash and cash equivalents	 <u>\$ 16,054,526</u>

Cash and cash equivalents as of June 30, 2018, consist of the following:

Cash on hand	\$ 3,049
Deposits held with financial institutions	1,723,414
Deposit of note proceeds held with financial institutions	241,003
Local Agency Investment Fund (LAIF)	1,003,787
Cal Trust	<u>13,083,273</u>
 Total cash and cash equivalents	 <u>\$ 16,054,526</u>

ROSAMOND COMMUNITY SERVICES DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 2 – CASH AND CASH EQUIVALENTS (Continued)

Deposits and Investments Authorized by the California Government Code and the District's Investment Policy

The table below identifies the investment types that are authorized for the District by the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Bankers' Acceptances	180 days	None	None
Commercial Paper	270 days	None	None
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements *	92 days	None	None
Medium-Term Notes ****	5 years	30%	None
Mutual Funds **	N/A	None	None
Money Market Mutual Funds ***	N/A	15%	None
Mortgage Pass-Through Securities	5 years	30%	None
County Pooled Investment Funds	N/A	100%	None
LAIF	N/A	None	\$65 million

* Must be at least 102% of market value.

** Must carry the highest ratings of at least two of the three largest national rating agencies.

*** Must be rated "AA" or better by a nationally recognized rating service.

**** Must be rated "A" or better by Moody's or Standard & Poor's (S&P) rating service.

Custodial Credit Risk

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 its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits:

ROSAMOND COMMUNITY SERVICES DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 2 – CASH AND CASH EQUIVALENTS (Continued)

Deposits and Investments Authorized by the California Government Code and the District's Investment Policy (Continued)

Custodial Credit Risk (Continued)

The California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. The District had deposits with a bank balance of \$1,780,164 as of June 30, 2018. Of the bank balances, up to \$250,000 for 2018 is federally insured, per institution, and the remaining balance of \$1,530,164 is collateralized by the bank with pledged securities.

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy contain legal and policy requirements that would limit the exposure to custodial credit risk for investments. 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.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The longer the maturity an investment has the greater its fair value has sensitivity to changes in market interest rates. The District's investment policy follows the California Government Code as it relates to limits on investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates. Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity date:

<u>Investment Type</u>	<u>Total</u>	<u>Remaining Maturity 12 months or less</u>
LAIF	\$ 1,003,787	\$ 1,003,787
Cal Trust	13,083,273	13,083,273
Total investments	<u>\$ 14,087,060</u>	<u>\$ 14,087,060</u>

ROSAMOND COMMUNITY SERVICES DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 2 - CASH AND CASH EQUIVALENTS (Continued)

Deposits and Investments Authorized by the California Government Code and the District's Investment Policy (Continued)

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. Presented below is the minimum rating required by (where applicable) the California Government Code, the District's investment policy, or debt agreements and the actual rating as of yearend for each investment type.

<u>Investment Type</u>	<u>Total</u>	<u>Minimum Legal Rating</u>	<u>Rating as of Year-End Not Rated</u>
LAIF	\$ 1,003,787	N/A	\$ 1,003,787
Cal Trust	<u>13,083,273</u>	N/A	<u>13,083,273</u>
Total investments	<u>\$ 14,087,060</u>		<u>\$ 14,087,060</u>

Concentration of Credit Risk

The District's investment policy does not contain various limitations on the amounts that can be invested in any one governmental agency or non-governmental issuer beyond as stipulated by the California Government Code. The District's deposit portfolio with governmental agencies such as the LAIF and Cal Trust was 7.1% and 92.9%, respectively, of the District's total depository and investment portfolio as of June 30, 2018.

Fair Value Measurements

GASB Statement No. 72, *Fair Value Measurements and Application*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of quoted prices (unadjusted) for identical assets and liabilities in active markets that a government can access at the measurement date, Level 2 inputs that are observable for an asset or liability, either directly or indirectly, and Level 3 inputs have the lowest priority and consist of unobservable inputs for an asset or liability.

The District's investment in Cal Trust of \$13,083,273 is valued using level 2 inputs by the Local Agency Advisory Board as of June 30, 2018. The District's investment in the Local Agency Investment Fund of \$1,003,787 is measured at Net Asset Value (NAV).

ROSAMOND COMMUNITY SERVICES DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 3 – RESTRICTED CASH AND CASH EQUIVALENTS

Restricted funds of \$213,768 in the Water Fund and \$27,235 in the Sewer Fund are included in noncurrent assets. These include funds on deposit with Zions Bank and are held for debt service and may not be spent on repairs and maintenance. Restricted funds of \$65,346 in the Parks and Recreation Fund are included in noncurrent assets as they represent the balance of State Quimby Act funds and funding required to be spent on County Service Areas.

NOTE 4 – ACCOUNTS RECEIVABLE

The accounts receivable balance consists of the following balances as of June 30, 2018:

	<u>Parks and Recreation</u>	<u>Street Lighting</u>	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
Accounts receivable - utilities	\$ -	\$ 7,261	\$ 426,231	\$ 208,457	\$ 641,949
Accounts receivable - other	101,998	-	212,707	47,688	362,393
Due from William Fisher Memorial Water Company	-	-	93,130	-	93,130
	<u>-</u>	<u>-</u>	<u>93,130</u>	<u>-</u>	<u>93,130</u>
Accounts receivable, net	<u>\$ 101,998</u>	<u>\$ 7,261</u>	<u>\$ 732,068</u>	<u>\$ 256,145</u>	<u>\$ 1,097,472</u>

On March 30, 2017 an ex party motion was granted that relieved the District of all obligations concerning William Fisher Memorial Water Company. This motion was effective April 1, 2017. After accounting for all of the District's time and expenses through the effective date, William Fisher owed the District a total of \$93,130.

NOTE 5 – INTERNAL BALANCES

On June 10, 2015, the Board of Directors adopted a ninth internal agreement between the funds. The Wastewater Fund will provide assistance in the form of a loan, up to a maximum of \$3,000,000 to the Water and Governmental Funds to refinance all existing internal loans and to internally finance the CalPERS Unfunded Accrued Liability. The interest rate will be based on the LAIF rate in place at the time the loan was issued, established by the Treasurer of the State of California. All of the loans mature on July 1, 2035 except for the Park Maintenance Fund loan which matures on July 1, 2030. The internal loans consist of the following balances as of June 30, 2018:

<u>Due From</u>	<u>Due To Wastewater</u>
Street Lighting	\$ 67,521
Parks and Recreation	1,748,582
Subtotal	1,816,103
Water	374,687
Total	<u>\$ 2,190,790</u>

ROSAMOND COMMUNITY SERVICES DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 6 – BANKED WATER INVENTORY

The Department of Water Resources (DWR) makes State Water Project (SWP) allocations to California water contractors. In 2010, the District was allocated 796 acre-feet of SWP dry year water from Antelope Valley East Kern Water Agency (AVEK). Of the total 796 acre-feet of allocated water, the District received 622 acre-feet, and of this, 503 acre-feet was banked with the Semitropic-Rosamond Water Banking Authority (SRWBA) as part of the District's participation in water banking programs with SRWBA.

Pursuant to their long-term groundwater banking program agreement, 90% of the water deliveries to SRWBA, less any losses in transportation, is considered recoverable. Therefore, after transportation losses and evaporation, the District had 445 acre-feet of banked water available-with SRWBA. The cost of this water was \$233,557.

In 2011, the District delivered 112 acre-feet of dry year water to SRWBA for banking as part of the District's participation in water banking programs with SRWBA. After transportation losses and evaporation, the District had available 99 acre-feet of banked water with SRWBA. The cost of this water was \$40,000. At June 30, 2011, the District's balance in the banked water inventory was \$273,557.

During the fiscal year 2012, the District delivered 1,000 acre-feet of water to SRWBA for banking. Pursuant to the District's agreement for a long-term groundwater banking program, 90% of water delivered to SRWBA, less any losses in transportation, is considered recoverable. Thus, the after transportation losses and evaporation the District has available 1,419 acre-feet banked in SRWBA. The total cost of this water for the District was \$245,200. At June 30, 2012, the District's balance in the banked water inventory was \$518,757.

During the fiscal year 2013, the District delivered 976 acre-feet of water to SRWBA for banking. After transportation losses and evaporation, the District had available 873 acre-feet of banked water with SRWBA and a total of 2,292 acre-feet banked in SRWBA. The cost of this water was \$256,772. At June 30, 2013, the District's balance in the banked water inventory was \$775,529.

In June 2014, the District entered into a water purchase agreement with Homer LLC for the purchase of 1,500 acre-feet of banked water. The District was allocated 1,500 acre-feet of banked water from Homer. The cost of the water was \$600,000. At June 30, 2014, the District's balance in the banked water inventory was \$1,375,529.

During fiscal year 2015, the District delivered 178 acre-feet of water to SRWBA for a cost of \$20,679. At June 30, 2015, the District's balance in the banked water inventory was \$1,396,208.

The following is a summary of the changes in banked water recorded as inventory as of June 30, 2018:

ROSAMOND COMMUNITY SERVICES DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 6 – BANKED WATER INVENTORY (Continued)

	AVEK			Homer, LLC			Totals		
	Delivered Acre-Feet	Banked Acre-Feet	Cost	Delivered Acre-Feet	Banked Acre-Feet	Cost	Delivered Acre-Feet	Banked Acre-Feet	Cost
Fiscal Year 2010	503	445	\$ 233,557	-	-	\$ -	503	445	\$ 233,557
Fiscal Year 2011	112	99	40,000	-	-	-	112	99	40,000
Fiscal Year 2012	1,000	875	245,200	-	-	-	1,000	875	245,200
Fiscal Year 2013	976	873	256,772	-	-	-	976	873	256,772
Fiscal Year 2014	-	-	-	1,500	1,500	600,000	1,500	1,500	600,000
Fiscal Year 2015	178	-	20,679	-	-	-	178	-	20,679
Fiscal Year 2016	-	-	-	-	-	-	-	-	-
Fiscal Year 2017	-	-	-	-	-	-	-	-	-
Fiscal Year 2018	-	-	-	-	-	-	-	-	-
Total	2,769	2,292	\$ 796,208	1,500	1,500	\$ 600,000	4,269	3,792	\$ 1,396,208

NOTE 7 – INVESTMENT IN WATER BANKING - JOINT POWERS AGREEMENT (JPA)

On July 28, 2008, the District entered into a JPA with Semitropic Water Storage District and Valley Mutual Water Company, LLC, to create the SRWBA to engage in the development, construction and operation of ground water storage and related facilities for the benefit of their members and/or customers.

The foregoing interests of the JPA Members are to be operated in combination as the SRWBA, a single and insofar as practical integrated water bank for (1) the primary purpose of enhancing the reliability of the JPA Members' water supplies for their respective service areas and memberships, and (2) the secondary purpose of providing surplus capacity by contract to third-party customers throughout the State and region.

The Members, their respective percentage of ownership, and capital contributed are:

- Semitropic Water Storage District (SWSD), 57% - contributed capacity rights in SWSD's Stored Water Recovery Unit (SWRU) valued at \$20,000,000. SWSD maintains direct ownership of SWRU assets related to capacity rights contributed.
- Valley Mutual Water Company, LLC (VMWC), 40% - contributed capacity rights in the Antelope Valley Water Bank (AVWB) and property and equipment valued at \$18,300,000. VMWC maintains direct ownership of AVWB assets related to capacity rights contributed.
- The District, 3% - contributed intellectual property.

Initially, the SRWBA is to consist of a "First Priority Right" to the following interests in the District's SWRU banking project that will provide: (1) 33,333 acre-feet/year of SWRU Delivery Capacity, (2) 300,000 acre-feet of SWRU storage capacity, and (3) 100,000 acre-feet/year of SWRU recovery and return capacity, together with rights to certain unused capacities in the SWRU and other elements of the Semitropic Water Bank, and the following rights in AVWB: (1) 100,000 acre-feet/year of AVWB Delivery Capacity, (2) 500,000 acre-feet of AVWB Storage Capacity, and (3) 100,000 acre-feet/year of AVWB Recovery and Return Capacity.

The District, as a JPA Member of SRWBA, has agreed to acquire 6,000 SRWBA shares for the amount of \$6,000,000 under the JPA. The District made an initial payment of \$1,000,000 to SRWBA upon the execution of the JPA and beginning January 1, 2009, the District started making payments of \$500,000 to SRWBA every six months (January 1 and July 1).

ROSAMOND COMMUNITY SERVICES DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE 7 – INVESTMENT IN WATER BANKING - JOINT POWERS AGREEMENT (JPA)
(Continued)**

An amendment was made effective October 2012 changing the due dates and amount to January 1 and July 1 for \$250,000 each payment date, for a total annual payment of \$500,000, and will continue to do so until the total payments by the District, including the initial payment, equal \$6,000,000. As of June 30, 2018, the District has paid SRWBA \$6,000,000 and has now paid for and fully acquired their shares.

NOTE 8 – CAPITAL ASSETS

Governmental Activities

Changes in capital assets for the year were as follows:

	Balance at June 30, 2017	Increases	Decreases	Balance at June 30, 2018
Capital assets, not being depreciated:				
Land	\$ 678,441	\$ -	\$ -	\$ 678,441
Construction in progress	-	1,456	(1,456)	-
Total capital assets, not being depreciated	<u>678,441</u>	<u>1,456</u>	<u>(1,456)</u>	<u>678,441</u>
Capital assets, being depreciated:				
Park improvements	926,394	15,757	-	942,151
Vehicles and equipment	83,455	-	-	83,455
Total capital assets, being depreciated	<u>1,009,849</u>	<u>15,757</u>	<u>-</u>	<u>1,025,606</u>
Less accumulated depreciation for:				
Park improvements	(477,844)	(46,490)	-	(524,334)
Vehicles and equipment	(81,047)	(2,408)	-	(83,455)
Total accumulated depreciation	<u>(558,891)</u>	<u>(48,898)</u>	<u>-</u>	<u>(607,789)</u>
Total capital assets, being depreciated, net	<u>450,958</u>	<u>(33,141)</u>	<u>-</u>	<u>417,817</u>
Governmental activities capital assets, net	<u>\$ 1,129,399</u>	<u>\$ (31,685)</u>	<u>\$ (1,456)</u>	<u>\$ 1,096,258</u>

Depreciation expense of \$48,898 was allocated to the Parks and Recreation function for the year ended June 30, 2018.

ROSAMOND COMMUNITY SERVICES DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 8 – CAPITAL ASSETS (Continued)

Business-Type Activities

A summary of changes of capital assets of the Enterprise Funds is as follows:

	Balance at June 30, 2017	Increases	Decreases	Balance at June 30, 2018
Capital assets, not being depreciated:				
Land	\$ 3,533,586	\$ -	\$ -	\$ 3,533,586
Construction in progress	868,806	212,120	-	1,080,926
 Total capital assets, not being depreciated	 4,402,392	 212,120	 -	 4,614,512
Capital assets, being depreciated:				
Facilities system	60,603,537	26,524	-	60,630,061
Vehicles and equipment	2,891,657	96,880	-	2,988,537
 Total capital assets, being depreciated	 63,495,194	 123,404	 -	 63,618,598
Less accumulated depreciation for:				
Facilities system	(37,323,773)	(2,007,644)	-	(39,331,417)
Vehicles and equipment	(2,281,167)	(159,245)	-	(2,440,412)
 Total accumulated depreciation	 (39,604,940)	 (2,166,889)	 -	 (41,771,829)
 Total capital assets, being depreciated, net	 23,890,254	 (2,043,485)	 -	 21,846,769
 Business-type activities capital assets, net	 <u>\$ 28,292,646</u>	 <u>\$ (1,831,365)</u>	 <u>\$ -</u>	 <u>\$ 26,461,281</u>

Depreciation expense under business-type activities was allocated as follows for the year ended June 30, 2018:

Water	\$ 1,486,881
Wastewater	680,008
 Total Depreciation Expense	 <u>\$ 2,166,889</u>

ROSAMOND COMMUNITY SERVICES DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 8 – CAPITAL ASSETS (Continued)

A summary of changes of capital assets of the Water Fund is as follows:

Water Fund	Balance at June 30, 2017	Increases	Decreases	Balance at June 30, 2018
Capital assets, not being depreciated:				
Land	\$ 3,008,995	\$ -	\$ -	\$ 3,008,995
Construction in progress	856,191	36,470	-	892,661
 Total capital assets, not being depreciated	 3,865,186	 36,470	 -	 3,901,656
Capital assets, being depreciated:				
Water transmission and distribution	42,922,089	13,262		42,935,351
Vehicles and equipment	2,063,926	48,145	-	2,112,071
 Total capital assets, being depreciated	 44,986,015	 61,407	 -	 45,047,422
Less accumulated depreciation for:				
Water transmission and distribution	(30,720,018)	(1,376,795)	-	(32,096,813)
Vehicles and equipment	(1,570,077)	(110,086)	-	(1,680,163)
 Total accumulated depreciation	 (32,290,095)	 (1,486,881)	 -	 (33,776,976)
 Total capital assets, being depreciated, net	 12,695,920	 (1,425,474)	 -	 11,270,446
 Business-type activities capital assets, net	 \$ 16,561,106	 \$ (1,389,004)	 \$ -	 \$ 15,172,102

Construction-in-Progress

The balance at June 30, 2018 consists of the following projects:

	June 30, 2018
Arsenic mitigation	\$ 129,478
Replacement water meters	739,352
Various projects less than \$100,000	23,831
 Construction-in-progress	 \$ 892,661

ROSAMOND COMMUNITY SERVICES DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 8 – CAPITAL ASSETS (Continued)

A summary of changes of capital assets of the Wastewater Fund is as follows:

Wastewater Fund	Balance at June 30, 2017	Increases	Decreases	Balance at June 30, 2018
Capital assets, not being depreciated:				
Land	\$ 524,591	\$ -	\$ -	\$ 524,591
Construction in progress	12,615	175,650	-	188,265
 Total capital assets, not being depreciated	 537,206	 175,650	 -	 712,856
Capital assets, being depreciated:				
Wastewater system	17,681,448	13,262	-	17,694,710
Vehicles and equipment	827,731	48,735	-	876,466
 Total capital assets, being depreciated	 18,509,179	 61,997	 -	 18,571,176
Less accumulated depreciation for:				
Wastewater system	(6,603,755)	(630,849)	-	(7,234,604)
Vehicles and equipment	(711,090)	(49,159)	-	(760,249)
 Total accumulated depreciation	 (7,314,845)	 (680,008)	 -	 (7,994,853)
 Total capital assets, being depreciated, net	 11,194,334	 (618,011)	 -	 10,576,323
 Business-type activities capital assets, net	 \$ 11,731,540	 \$ (442,361)	 \$ -	 \$ 11,289,179

Construction-in-Progress

The balance at June 30, 2018 consists of the following projects:

	June 30, 2018
Wastewater treatment plant	\$ 12,615
Wastewater treatment plant rehabilitation project	175,650
 Construction-in-progress	 \$ 188,265

ROSAMOND COMMUNITY SERVICES DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 9 – COMPENSATED ABSENCES

Compensated absences for vacation leave are accrued as follows:

<u>Years of Service</u>	<u>Days</u>
0 - 3	13
4 - 15	20
more than 15	25

Employees also receive thirteen days of sick leave each year. Sick leave has no accumulation limits and can be carried over from year to year.

- The District's obligation relating to employees' 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.

Changes in compensated absences as of June 30, 2018, were as follows:

	<u>Balance June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2018</u>	<u>Due within One Year</u>
Governmental Activities	\$ 12,387	\$ 7,428	\$ (6,907)	\$ 12,908	\$ 3,227
Business-Type Activities	303,127	205,181	(198,480)	309,828	77,457
Total	<u>\$ 315,514</u>	<u>\$ 212,609</u>	<u>\$ (205,387)</u>	<u>\$ 322,736</u>	<u>\$ 80,684</u>

ROSAMOND COMMUNITY SERVICES DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 10 – LONG TERM DEBT

	Balance at June 30, 2017	Additions	Deletions	Balance at June 30, 2018	Due within one year
<u>Governmental activities:</u>					
Net pension liability	\$ 19,374	\$ 1,371	\$ (7,164)	\$ 13,581	\$ -
<u>Business-type activities:</u>					
Water Fund:					
Zions Bank Note	1,757,445	-	(136,622)	1,620,823	139,505
Net pension liability	186,828	107,503	(68,774)	225,557	-
Wastewater Fund:					
Zions Bank Note	223,893	-	(17,407)	206,486	17,772
State Water Pollution Control Note	5,450,088	-	(392,833)	5,057,255	403,047
Net pension liability	115,957	61,712	(42,687)	134,982	-
Total Business-type	7,734,211	169,215	(658,323)	7,245,103	560,324
Total	\$ 7,753,585	\$ 170,586	\$ (665,487)	\$ 7,258,684	\$ 560,324

Zions Bank Note

In December 2008, the District obtained a \$3,000,000 installment sale note with Zions Bank with a variable interest rate of 2.10% per annum in order to complete the construction of various District projects. The District had originally split the loan 80/20 between the Water and Wastewater Funds, whereas the Water Fund was obligated \$2,400,000 and the Wastewater Fund was obligated \$600,000. Effective May 2010, the note was split 88.7% and 11.3% between the Water and Wastewater Funds to better reflect the outstanding amounts on the actual projects. The note is scheduled to mature in fiscal year 2029. Principal and interest semi-annual installments of \$97,415 are payable on December 15 and June 15 each year. Annual debt service requirements on the loan are as follows:

Fiscal Year	Principal	Interest	Total
2019	\$ 157,277	\$ 37,552	\$ 194,829
2020	160,597	34,232	194,829
2021	163,987	30,842	194,829
2022	167,449	27,380	194,829
2023	170,984	23,845	194,829
2024 - 2028	910,612	63,533	974,145
2029	96,403	1,012	97,415
	<u>\$ 1,827,309</u>	<u>\$ 218,396</u>	<u>\$ 2,045,705</u>

ROSAMOND COMMUNITY SERVICES DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 10 – LONG TERM DEBT (Continued)

State Water Pollution Control Note

In 2009, the District executed an agreement for an \$8,300,000 reclamation note with the State of California Water Pollution Control Fund at an interest rate of 2.6% per annum in order to complete the construction of the new wastewater treatment plant. The note is scheduled to mature in fifteen years after the wastewater treatment plant is completed. Principal and interest installments of \$534,536 will be payable annually each year. Annual estimated debt service requirements on the loan are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 403,047	\$ 131,489	\$ 534,536
2020	413,526	121,010	534,536
2021	424,278	110,258	534,536
2022	435,309	99,227	534,536
2023	446,628	87,908	534,536
2024 - 2028	2,413,477	259,200	2,672,677
2029	520,990	13,546	534,536
	<u>\$ 5,057,255</u>	<u>\$ 822,638</u>	<u>\$ 5,879,893</u>

NOTE 11 – NET POSITION

Net position categories are as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Capital assets - not being depreciated	\$ 678,441	\$ 4,614,512	\$ 5,292,953
Capital assets - being depreciated, net	417,817	21,846,769	22,264,586
Note payable - current portion	-	(560,324)	(560,324)
Note payable - noncurrent portion	-	(6,324,240)	(6,324,240)
Total net investment in capital assets	<u>\$ 1,096,258</u>	<u>\$ 19,576,717</u>	<u>\$ 20,672,975</u>
Parks and Recreation Fund - Quimby and CSA fees	\$ 65,346	\$ -	\$ 65,346
Water Fund - debt service	-	213,768	213,768
Wastewater Fund - debt service	-	27,235	27,235
Total restricted net position	<u>\$ 65,346</u>	<u>\$ 241,003</u>	<u>\$ 306,349</u>

ROSAMOND COMMUNITY SERVICES DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 12 – DEFINED BENEFIT PENSION PLAN

A. General Information about the Pension Plan

Plan Description

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Plan) administered by the California Public Employees’ Retirement System (CalPERS.) The Plan consists of individual rate plans (benefit tiers) within a safety risk pool (police and fire) and a miscellaneous risk pool (all other). Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The District sponsors two miscellaneous rate plans. Benefit provisions under the Plan are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS’ website, at www.calpers.ca.gov.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 5 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

The Plan operates under the provisions of the California Public Employees’ Retirement Law (PERL), the California Public Employees’ Pension Reform Act of 2013 (PEPRA), and the regulations, procedures and policies adopted by the CalPERS Board of Administration. The Plan’s authority to establish and amend the benefit terms are set by the PERL and PEPRA, and may be amended by the California state legislature and in some cases require approval by the CalPERS Board. The Plan’s provisions and benefits in effect at June 30, 2018 are summarized as follows:

	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2.5 % @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 and up	52 and up
Monthly benefits, as a % of eligible compensation	2.0% - 2.5%	1.0% - 2.5%
Required employee contribution rates	8%	6.25%
Required employer contribution rates	9.539%	6.533%

ROSAMOND COMMUNITY SERVICES DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 12 – DEFINED BENEFIT PENSION PLAN (Continued)

A. General Information about the Pension Plan (Continued)

Contributions

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. For public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, 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 employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions. Employer Contributions to the Plan for the fiscal year ended June 30, 2018 were \$130,091. The actual employer payments of \$118,576 made to CalPERS by the District during the measurement period ended June 30, 2017 differed from the District's proportionate share of the employer's contributions of \$164,011 by \$45,435, which is being amortized over the expected average remaining service lifetime in the Public Agency Cost-Sharing Multiple Employer Plan.

B. Net Pension Liability

The District's net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2017, using an annual actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is as follows.

ROSAMOND COMMUNITY SERVICES DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 12 – DEFINED BENEFIT PENSION PLAN (Continued)

B. Net Pension Liability (Continued)

Actuarial Methods and Assumptions Used to Determine Total Pension Liability (Continued)

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market Value of Assets
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Salary Increases ⁽¹⁾	3.3% - 14.2%
Investment Rate of Return ⁽²⁾	7.65%
Mortality Rate Table ⁽³⁾	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

(1) Annual increases vary by category, entry age, and duration of service

(2) Net of pension plan investment and administrative expenses; includes inflation

(3) 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. For more details on this table, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Change of Assumptions

In fiscal year 2016-17, the financial reporting discount rate for the PERF C was lowered from 7.65 percent to 7.15 percent.

ROSAMOND COMMUNITY SERVICES DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 12 – DEFINED BENEFIT PENSION PLAN (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent and reflects the long-term expected rate of return for the Plan net of investment expenses and without reduction for administrative expenses. To determine whether the municipal bond rate should be used in the calculation of the discount rate for public agency plans (including PERF C), the amortization and smoothing periods adopted by the Board in 2013 were used. For the Plan, the crossover test was performed for a miscellaneous agent plan and a safety agent plan selected as being more at risk of failing the crossover test and resulting in a discount rate that would be different from the long-term expected rate of return on pension investments. Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for PERF C. The crossover test results can be found on CalPERS' website, at www.calpers.ca.gov.

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.

ROSAMOND COMMUNITY SERVICES DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 12 – DEFINED BENEFIT PENSION PLAN (Continued)

B. Net Pension Liability (Continued)

Discount Rate (Continued)

The following table reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the CalPERS Board effective on July 1, 2014.

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1 - 10¹</u>	<u>Real Return Years 11+²</u>
Global Equity	47.0%	4.90%	5.38%
Global Fixed Income	19.0%	0.80%	2.27%
Inflation Sensitive	6.0%	0.60%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	<u>2.0%</u>	(0.40%)	(0.90%)
Total	<u>100%</u>		

¹ An expected inflation of 2.5% used for this period

² An expected inflation of 3.0% used for this period

Pension Plan Fiduciary Net Position

Information about the pension plan's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position are presented in CalPERS' audited financial statements, which are publicly available reports that can be obtained at CalPERS' website, at www.calpers.ca.gov. The plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis used by the pension plan, which is the economic resources measurement focus and the accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

The plan fiduciary net position disclosed in the GASB 68 accounting valuation report may differ from the plan assets reported in the funding actuarial valuation report due to several reasons. First, for the accounting valuations, CalPERS must keep items such as deficiency reserves, fiduciary self-insurance and Other Post-Employment Benefits (OPEB) expense included as assets. These amounts are excluded for rate setting purposes in the funding actuarial valuation. In addition, differences may result from early Comprehensive Annual Financial Report closing and final reconciled reserves.

ROSAMOND COMMUNITY SERVICES DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 12 – DEFINED BENEFIT PENSION PLAN (Continued)

C. Proportionate Share of Net Pension Liability

The following table shows the Plan’s proportionate share of the net pension liability over the measurement period.

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)
Balance at: 6/30/2016 (Valuation Date)	\$ 4,300,489	\$ 3,978,330	\$ 322,159
Balance at: 6/30/2017 (Measurement Date)	\$ 4,708,865	\$ 4,334,745	\$ 374,120
Net Changes during 2016-17	\$ 408,376	\$ 356,415	\$ 51,961

The District’s net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2016, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. The District’s proportion of the net pension liability was determined by CalPERS using the output from the Actuarial Valuation System and the fiduciary net position, as provided in the CalPERS Public Agency Cost-Sharing Allocation Methodology Report, which is a publicly available report that can be obtained at CalPERS’ website, at www.calpers.ca.gov. The District’s proportionate share of the net pension liability for the Plan as of the June 30, 2016 and 2017 measurement dates was as follows:

	<u>Miscellaneous</u>
Proportionate Share - June 30, 2016	0.00927%
Proportionate Share - June 30, 2017	0.00949%
Change - Increase (Decrease)	0.00022%

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

The following presents the District’s proportionate share of the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.15 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15 percent) or 1 percentage-point higher (8.15 percent) than the current rate:

	<u>Discount Rate - 1% (6.15%)</u>	<u>Current Discount Rate (7.15%)</u>	<u>Discount Rate + 1% (8.15%)</u>
Plan's Net Pension Liability	\$ 1,021,809	\$ 374,120	\$ (162,309)

ROSAMOND COMMUNITY SERVICES DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 12 – DEFINED BENEFIT PENSION PLAN (Continued)

C. Proportionate Share of Net Pension Liability (Continued)

Subsequent Events

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

Recognition of Gains and Losses

Under GASB 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss:

Difference between projected and actual earnings	5 year straight-line amortization
All other amounts	Straight-line amortization over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period

The expected average remaining service lifetime (EARSL) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the Public Agency Cost-Sharing Multiple-Employer Plan (PERF C).

The EARSL for the PERF C for the June 30, 2017 measurement period is 3.8 years, which was obtained by dividing the total service years of 490,088 (the sum of remaining service lifetimes of the active employees) by 130,595 (the total number of participants: active, inactive, and retired). Note that inactive employees and retirees have remaining service lifetimes equal to 0. Also note that total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

ROSAMOND COMMUNITY SERVICES DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 12 – DEFINED BENEFIT PENSION PLAN (Continued)

D. Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

As of the start of the measurement period (July 1, 2016), the District's net pension liability was \$322,159. For the measurement period ending June 30, 2017 (the measurement date), the District incurred pension expense of \$320,425 for the Plan.

As of June 30, 2018, the District has deferred outflows and deferred inflows of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	\$ 181,508	\$ -
Difference between Expected and Actual Experience	-	(21,105)
Difference Between Projected and Actual Investment Earnings on Pension Plan	44,440	-
Difference Between Employer's Contributions and Proportionate Share of Contributions	422,204	(33,478)
Change in Employer's Proportion	187,409	(422,849)
Pension Contributions Made Subsequent to the Measurement Date	130,091	-
Total	\$ 965,652	\$ (477,432)

These amounts above are net of outflows and inflow recognized in the 2016-17 measurement period expense. The \$130,091 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

Measurement Period Ended June 30:	Deferred Outflows/(Inflows) of Resources
2019	\$ 170,059
2020	126,638
2021	87,815
2022	(26,383)
2023	-
Remaining	-

ROSAMOND COMMUNITY SERVICES DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 12 – DEFINED BENEFIT PENSION PLAN (Continued)

E. Payable to the Pension Plan

At June 30, 2018, the District reported a payable of \$-0- for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2018.

NOTE 13 – 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 manage and administer programs of self-insured losses and to purchase excess insurance coverage. At June 30, 2018, 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 and employment practices liability: total risk financing self-insurance limits of \$10,000,000, combined single limit at \$10,000,000 per occurrence, subject to the following deductibles: \$25,000 per occurrence for third party general liability property damage, \$25,000 per occurrence for third party auto liability property damage; 50% co-insurance of cost expended by SDRMA in excess of \$10,000 up to \$50,000, per occurrence, for employment related claims.

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

- Employee dishonesty coverage up to \$1,000,000 per loss includes public employee dishonesty; forgery or alteration; and theft, disappearance, and destruction coverages.
- Property loss is paid at the replacement cost for property on file, if replaced, and if not replaced within two years after the loss, paid on an actual cash value basis, to a combined total of \$1.0 billion per occurrence, subject to a \$25,000 deductible per occurrence.
- Boiler and machinery coverage for the replacement cost up to \$100 million per occurrence, subject to a \$25,000 deductible per occurrence.
- Public officials personal liability up to \$500,000 each occurrence, with an annual aggregate of \$500,000 per each elected/appointed official to which this coverage applies, subject to the terms, with a deductible of \$500 per claim.
- Workers' compensation insurance up to statutory limits per occurrence and Employer's Liability Coverage up to \$5 million.
- Comprehensive and collision insurance on selected vehicle with deductibles of \$250/\$500 or \$500/\$1,000, as elected.

ROSAMOND COMMUNITY SERVICES DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

NOTE 13 – RISK MANAGEMENT (Continued)

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 years 2018, 2017, and 2016. 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 material IBNR claims payable as of June 30, 2018, 2017, and 2016.

NOTE 14 – COMMITMENTS AND CONTINGENCIES

Litigation - Antelope Valley Groundwater Cases

This case involves a series of consolidated cases known as the Antelope Valley Groundwater Cases regarding priority of water rights. On November 30, 2006, the court entered an order defining the boundaries of the adjudication. A second phase of trial was also conducted to determine if there was more than one distinct groundwater basin. In order to create a comprehensive adjudication of all water rights claimants within the groundwater basin, the claimants were identified by two classes, the Willis Class and the Woods Class. On November 18, 2010, the Willis Class was moved for preliminary settlement agreement, which gives the Willis Class the right to seek attorney's fees against the named "public water suppliers (PWS)," which include the District. On January 24, 2011, the Willis Class served a motion to request attorney's fees against the public water suppliers in the amount of \$2,300,618, costs of \$86,000 and a "lodestar" multiplier of 1.5. The motion proposes an allocation of the award between the public water suppliers based on pumping, and proposes the District pay 5.12% of the requested fees. On February 24, 2011, the courts approved the Willis Class settlement. However, there was no discussion regarding attorney's fees. On May 4, 2011, the judge awarded a total of \$1,904,552 to the Willis Class attorneys. The motion proposed an allocation of the award between the PWS based upon pumping, and proposed that the District pay 5.12% of the requested fees or approximately \$98,000.

On July 12, 2011, Willis Class filed a motion for a supplemental award of attorney's fees seeking reimbursement of fees of \$209,625 allegedly incurred in 2011. On September 6, 2011, the judge granted to the attorneys an additional \$160,663. On September 22, 2011, the court entered an amended final judgment approving class action settlement. The amended final judgment combined the May 4, 2011, and September 6, 2011, attorney's fees into a final judgment of \$2,075,174, of which \$106,099 is to be paid by the District. An agreement between Willis Class and the District was reached regarding the payment of fees. Willis Class accepted monthly payments from the District in the amount of \$4,421 without interest beginning September 1, 2011, for a term of 2 years. As of the date of this report, final payment has been made.

A third phase trial was heard to discuss the safe-yield of the basin and whether it is in the state of overdraft.

Phase four began May 28, 2013, to determine the overall groundwater production occurring in the Basin in calendar years 2011 and 2012.

ROSAMOND COMMUNITY SERVICES DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 14 – COMMITMENTS AND CONTINGENCIES (Continued)

A new phase (five) began February 2014, which deals with the determination of the Federal Reserve water rights, and the rights to return flows from imported water. The parties involved are engaged in settlement negotiations and have prepared a proposed stipulated judgment to present to the Court. The parties submitted the proposed stipulated judgment to the court in August, 2015; the stipulated judgment was agreed to by all but a handful of parties. The party most opposed to the judgment is the Willis Class. In mid-October 2015, the court heard argument and took evidence regarding the Willis Class' challenges to the stipulated judgment. Closing arguments will be heard the first week of November 2015 regarding the stipulated judgment.

During the fiscal year ended June 30, 2016, the phase five trial was suspended so as to afford the parties the opportunity to continue global settlement discussions.

A sixth phase began on September 28, 2015, the purpose of which was to hear evidence on a proposed physical solution/settlement between the stipulated parties, default proceedings and objections of non-stipulated parties to the proposed solution.

On November 4, 2015, a tentative oral decision was issued which approved the proposed physical solution and ruled that non-stipulating parties be bound by the solution. The court overruled the objections of the Willis Class; found that the Tapia defendants had failed to prove their water usage and that Phelan Pinon Hills Community Service District was an appropriator of water and that there was no surplus available for that entity.

On December 23, 2015, the court entered judgment and adopted the physical solution as its own which is binding on all parties. Appeals by the Willis Class, the Tapia defendants and Phelan Pinon Hills Community Service District were filed and remain pending as of June 30, 2016.

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REQUIRED SUPPLEMENTARY INFORMATION

ROSAMOND COMMUNITY SERVICES DISTRICT

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – PARKS AND RECREATION FUND
FOR THE YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Property taxes	\$ 249,419	\$ 249,419	\$ 295,977	\$ 46,558
Special assessments	114,200	114,200	139,076	24,876
Charges for services	27,200	27,200	28,986	1,786
Interest earnings	3,830	3,830	4,233	403
	<u>394,649</u>	<u>394,649</u>	<u>468,272</u>	<u>73,623</u>
EXPENDITURES				
Parks and recreation	<u>523,258</u>	<u>523,258</u>	<u>329,842</u>	<u>193,416</u>
Net change in fund balance	(128,609)	(128,609)	138,430	267,039
Fund balance (deficit), beginning of year	<u>(1,483,777)</u>	<u>(1,483,777)</u>	<u>(1,483,777)</u>	<u>-</u>
Fund balance (deficit), end of year	<u><u>\$(1,612,386)</u></u>	<u><u>\$(1,612,386)</u></u>	<u><u>\$(1,345,347)</u></u>	<u><u>\$ 267,039</u></u>

ROSAMOND COMMUNITY SERVICES DISTRICT

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – STREET LIGHTING FUND
FOR THE YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Property taxes	\$ 3,381	\$ 3,381	\$ 3,381	\$ -
Special assessments	164,000	164,000	164,289	289
Charges for services	77,000	77,000	82,401	5,401
Interest earnings	540	540	652	112
Total revenues	<u>244,921</u>	<u>244,921</u>	<u>250,723</u>	<u>5,802</u>
EXPENDITURES				
Street lighting	<u>168,135</u>	<u>168,135</u>	<u>157,469</u>	<u>10,666</u>
Net change in fund balance	76,786	76,786	93,254	16,468
Fund balance, beginning of year	<u>55,078</u>	<u>55,078</u>	<u>55,078</u>	-
Fund balance, end of year	<u>\$ 131,864</u>	<u>\$ 131,864</u>	<u>\$ 148,332</u>	<u>\$ 16,468</u>

ROSAMOND COMMUNITY SERVICES DISTRICT

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE PLAN'S NET PENSION LIABILITY AND RELATED RATIOS
AS OF THE MEASUREMENT DATE
LAST 10 YEARS***

Measurement Date	Employer's Proportion of the Collective Net Pension Liability ¹	Employer's Proportionate Share of the Collective Net Pension Liability	Employer's Covered Payroll	Employer's Proportionate Share of the Collective Net Pension Liability as a Percentage of the Employer's Covered-Employee Payroll	Pension's Plans Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/2014	0.03508%	\$ 867,004	\$ 1,222,807	70.90%	75.69%
6/30/2015	0.03563%	977,411	1,270,028	76.96%	75.07%
6/30/2016	0.00927%	322,159	1,392,542	23.13%	92.51%
6/30/2017	0.00949%	374,120	1,256,503	29.77%	92.05%

¹ Proportion of the collective net pension liability represents the plan's proportion of PERF C, which includes both the Miscellaneous and Safety Risk pools excluding the 1959 Survivors Risk Pool.

* Historical information is required only for measurement period for which GASB 68 & 71 were applicable. Future years' information will be displayed up to 10 years as information becomes available.

ROSAMOND COMMUNITY SERVICES DISTRICT

**SCHEDULE OF PLAN CONTRIBUTIONS
LAST 10 YEARS***

<u>Fiscal Year</u>	<u>Contractually Determined Contributions</u>	<u>Contributions in Relation to the Contractually Determined Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Employer's Covered Payroll</u>	<u>Contributions as a Percentage of Covered- Employee Payroll</u>
2014-15	\$ 234,377	\$ (234,377)	\$ -	\$ 1,270,028	18.45%
2015-16	200,443	(1,006,329)	(805,886)	1,392,542	14.39%
2016-17	118,576	(118,576)	-	1,256,503	9.44%
2017-18	130,091	(130,091)	-	1,323,305	9.83%

Notes to Schedule:

Change in Benefit Terms: None

Change in Assumptions: For measurement date 6/30/2017, the discount rate was changed from 7.65 percent (net of administrative expenses) to 7.15 percent. For measurement date 6/30/2015, the discount rate was changed from 7.5 percent (net of administrative expenses) to 7.65 percent.

* Historical information is required only for measurement period for which GASB 68 & 71 were applicable. Future years' information will be displayed up to 10 years as information becomes available.

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SUPPLEMENTARY INFORMATION

ROSAMOND COMMUNITY SERVICES DISTRICT

**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION –
BUDGET AND ACTUAL – WATER FUND
FOR THE YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
OPERATING REVENUES				
Water consumption sales	\$ 4,223,775	\$ 4,223,775	\$ 4,525,090	\$ 301,315
Total operating revenues	<u>4,223,775</u>	<u>4,223,775</u>	<u>4,525,090</u>	<u>301,315</u>
OPERATING EXPENSES				
Salaries and benefits	1,224,438	1,224,438	1,345,101	(120,663)
Operations	1,192,077	1,192,077	1,193,170	(1,093)
Total operating expenses	<u>2,416,515</u>	<u>2,416,515</u>	<u>2,538,271</u>	<u>(121,756)</u>
Operating income before depreciation	1,807,260	1,807,260	1,986,819	179,559
Depreciation expense	(1,472,294)	(1,472,294)	(1,486,881)	(14,587)
Operating income (loss)	<u>334,966</u>	<u>334,966</u>	<u>499,938</u>	<u>164,972</u>
NONOPERATING REVENUES (EXPENSES)				
Interest earnings	17,043	17,043	43,948	26,905
Interest expense	(37,184)	(37,184)	(37,106)	78
Other revenue	20,750	20,750	41,693	20,943
Total nonoperating revenues (expenses)	<u>609</u>	<u>609</u>	<u>48,535</u>	<u>47,926</u>
Change in net position	<u>335,575</u>	<u>335,575</u>	<u>548,473</u>	<u>212,898</u>
Net position, beginning of year	<u>25,128,150</u>	<u>25,128,150</u>	<u>25,128,150</u>	<u>-</u>
Net position, end of year	<u>\$ 25,463,725</u>	<u>\$ 25,463,725</u>	<u>\$ 25,676,623</u>	<u>\$ 212,898</u>

ROSAMOND COMMUNITY SERVICES DISTRICT

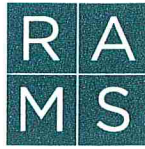
**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION –
BUDGET AND ACTUAL – WASTEWATER FUND
FOR THE YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
OPERATING REVENUES				
Wastewater service charges	\$ 3,215,025	\$ 3,215,025	\$ 3,249,618	\$ 34,593
Total operating revenues	<u>3,215,025</u>	<u>3,215,025</u>	<u>3,249,618</u>	<u>34,593</u>
OPERATING EXPENSES				
Salaries and benefits	778,682	778,682	896,558	(117,876)
Operations	907,163	907,163	738,658	168,505
Total operating expenses	<u>1,685,845</u>	<u>1,685,845</u>	<u>1,635,216</u>	<u>50,629</u>
Operating income before depreciation	1,529,180	1,529,180	1,614,402	85,222
Depreciation expense	(667,487)	(667,487)	(680,008)	(12,521)
Operating income	<u>861,693</u>	<u>861,693</u>	<u>934,394</u>	<u>72,701</u>
NONOPERATING REVENUES (EXPENSES)				
Interest earnings	119,713	119,713	154,950	35,237
Interest expense	(147,125)	(147,125)	(144,597)	2,528
Other revenue	4,250	4,250	559	(3,691)
Total nonoperating revenues (expenses)	<u>(23,162)</u>	<u>(23,162)</u>	<u>10,912</u>	<u>34,074</u>
Change in net position	<u>838,531</u>	<u>838,531</u>	<u>945,306</u>	<u>106,775</u>
Net position, beginning of year	<u>18,010,973</u>	<u>18,010,973</u>	<u>18,010,973</u>	<u>-</u>
Net position, end of year	<u>\$ 18,849,504</u>	<u>\$ 18,849,504</u>	<u>\$ 18,956,279</u>	<u>\$ 106,775</u>

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REPORT ON COMPLIANCE AND INTERNAL CONTROLS

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**REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF BASIC FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Independent Auditor's Report

PARTNERS

Brenda L. Odle, CPA, MST
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To the Board of Directors
Rosamond Community Services District
Rosamond, California

MANAGERS / STAFF

Jenny Liu, CPA, MST
Seong-Hyea Lee, CPA, MBA
Charles De Simoni, CPA
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Lisa Dongxue Guo, CPA, MSA
Samuel Singery, CPA
Jing Wu, CPA

We have audited, 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, the financial statements of the governmental activities, the business-type activities, and each major fund of the Rosamond Community Services District (District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 15, 2018.

Internal Control Over Financial Reporting

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



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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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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.

Rogers, Anderson, Malody & Scott, LLP.

San Bernardino, California
November 15, 2018