

**ROSAMOND COMMUNITY  
SERVICES DISTRICT**

**ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED  
JUNE 30, 2019**

**ROSAMOND COMMUNITY SERVICES DISTRICT  
LIST OF ELECTED AND APPOINTED OFFICIALS  
JUNE 30, 2019**

**Elected Officials**

**BOARD OF DIRECTORS**

<u>Title</u>	<u>Director</u>	<u>Term Expires</u>
President	Greg Wood	December 2022
Vice-President	Rick Webb	December 2022
Director	Byron Glennan	December 2020
Director	Ben Stewart	December 2022
Director	Gregory C. Washington	December 2020

**Appointed Official**

General Manager     Steve Perez

**Rosamond Community Services District  
3179 35<sup>th</sup> Street West  
Rosamond, California 93560  
(661) 256-3411  
[www.rosamondcsd.com](http://www.rosamondcsd.com)**

**ROSAMOND COMMUNITY SERVICES DISTRICT**

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**JUNE 30, 2019**

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## **FINANCIAL SECTION**



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CERTIFIED PUBLIC ACCOUNTANTS, SINCE 1948

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## INDEPENDENT AUDITOR'S REPORT

### PARTNERS

Brenda L. Odle, CPA, MST  
Terry P. Shea, CPA  
Scott W. Manno, CPA, CGMA  
Leena Shanbhag, CPA, MST, CGMA  
Bradferd A. Welebir, CPA, MBA, CGMA  
Jay H. Zercher, CPA (Partner Emeritus)  
Phillip H. Waller, CPA (Partner Emeritus)  
Kirk A. Franks, CPA (Partner Emeritus)

### DIRECTORS

Jenny Liu, CPA, MST

### MANAGERS / STAFF

Charles De Simoni, CPA  
Gardenya Duran, CPA  
Brianna Schultz, CPA  
Jingjie Wu, CPA  
Evelyn Morentin-Barcena, CPA  
Jin Gu, CPA, MT  
Veronica Hernandez, CPA  
Tara R. Thorp, CPA, MSA  
Laura Arvizu, CPA

### MEMBERS

American Institute of  
Certified Public Accountants

*PCPS The AICPA Alliance  
for CPA Firms*

*Governmental Audit  
Quality Center*

*Employee Benefit Plan  
Audit Quality Center*

California Society of  
Certified Public Accountants



A Worldwide Alliance of Independent  
Accounting, Law and Consulting Firms

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, 2019, 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.

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, 2019, 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 October 18, 2019, 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  
October 18, 2019

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## **ROSAMOND COMMUNITY SERVICES DISTRICT**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019**

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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, 2019. 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 3.1% or \$1,362,567 (before the prior period adjustment) to \$45,887,583 as a result of this year's operations.
- Total revenues increased by 2.1% or \$179,354 due primarily to interest earnings and other revenues.
- Total expenses decreased by 3.7% or \$259,899 due primarily to vacant positions in Public Works.

#### **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, 2019**

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#### **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, 2019**

**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	
	2019	2018	2019	2018	2019	2018
<b>Assets:</b>						
Current and other assets	\$ 865,837	\$ 626,404	\$ 18,090,315	\$ 16,522,917	\$ 18,956,152	\$ 17,149,321
Restricted assets	24,048	65,346	245,453	241,003	269,501	306,349
Noncurrent assets	(1,701,768)	(1,816,103)	9,451,060	9,212,311	7,749,292	7,396,208
Capital assets, net	342,357	1,096,258	26,204,639	26,461,281	26,546,996	27,557,539
<b>Total assets</b>	<b>(469,526)</b>	<b>(28,095)</b>	<b>53,991,467</b>	<b>52,437,512</b>	<b>53,521,941</b>	<b>52,409,417</b>
<b>Deferred Outflows of Resources</b>	<b>624</b>	<b>35,054</b>	<b>565,606</b>	<b>930,598</b>	<b>566,230</b>	<b>965,652</b>
<b>Liabilities:</b>						
Current liabilities	27,299	75,889	1,247,716	1,357,957	1,275,015	1,433,846
Noncurrent liabilities	660	23,262	6,683,814	6,917,150	6,684,474	6,940,412
<b>Total liabilities</b>	<b>27,959</b>	<b>99,151</b>	<b>7,931,530</b>	<b>8,275,107</b>	<b>7,959,489</b>	<b>8,374,258</b>
<b>Deferred Inflows of Resources</b>	<b>266</b>	<b>17,331</b>	<b>240,833</b>	<b>460,101</b>	<b>241,099</b>	<b>477,432</b>
<b>Net Position:</b>						
Net investment in capital assets	342,357	1,096,258	19,874,715	19,576,717	20,217,072	20,672,975
Restricted	24,048	65,346	245,453	241,003	269,501	306,349
Unrestricted	(863,532)	(1,271,127)	26,264,542	24,815,182	25,401,010	23,544,055
<b>Total net position (deficit)</b>	<b>\$ (497,127)</b>	<b>\$ (109,523)</b>	<b>\$ 46,384,710</b>	<b>\$ 44,632,902</b>	<b>\$ 45,887,583</b>	<b>\$ 44,523,379</b>

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 \$45,887,583 as of June 30, 2019. Compared to prior year, net position of the District increased by 3.1%, or \$1,362,567 (before the prior period adjustment). The District's net position is made up of three components: 1) net investment in capital assets of \$20,217,072; 2) restricted of \$269,501; and 3) unrestricted of \$25,401,010.

**ROSAMOND COMMUNITY SERVICES DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2019**

**Statement of Activities**

The following table is a summary of the Statement of Activities for the year ended June 30, 2019.

**Condensed Statement of Activities**

	Governmental Activities		Business-Type Activities		Total District	
	2019	2018	2019	2018	2019	2018
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 226,008	\$ 414,752	\$ 7,960,201	\$ 7,774,708	\$ 8,186,209	\$ 8,189,460
General revenues:						
Property taxes	310,309	299,358	-	-	310,309	299,358
Interest earnings and other revenue	33,588	4,885	374,647	241,150	408,235	246,035
Gain on sale of capital assets	-	-	9,454	-	9,454	-
<b>Total revenues</b>	<b>569,905</b>	<b>718,995</b>	<b>8,344,302</b>	<b>8,015,858</b>	<b>8,914,207</b>	<b>8,734,853</b>
<b>Expenses</b>						
Salaries and benefits	-	118,007	2,040,695	2,241,659	2,040,695	2,359,666
Operations	205,245	378,274	2,190,914	1,931,828	2,396,159	2,310,102
Depreciation	9,620	48,898	2,180,069	2,166,889	2,189,689	2,215,787
Interest	-	-	180,816	181,703	180,816	181,703
<b>Total expenses</b>	<b>214,865</b>	<b>545,179</b>	<b>6,592,494</b>	<b>6,522,079</b>	<b>6,807,359</b>	<b>7,067,258</b>
<b>Special item</b>	<b>(744,281)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(744,281)</b>	<b>-</b>
<b>Change in net position</b>	<b>(389,241)</b>	<b>173,816</b>	<b>1,751,808</b>	<b>1,493,779</b>	<b>1,362,567</b>	<b>1,667,595</b>
<b>Net position (deficit), beginning of year as restated</b>	<b>(107,886)</b>	<b>(283,339)</b>	<b>44,632,902</b>	<b>43,139,123</b>	<b>44,525,016</b>	<b>42,855,784</b>
<b>Net position (deficit), end of year</b>	<b>\$ (497,127)</b>	<b>\$ (109,523)</b>	<b>\$ 46,384,710</b>	<b>\$ 44,632,902</b>	<b>\$ 45,887,583</b>	<b>\$ 44,523,379</b>

**ROSAMOND COMMUNITY SERVICES DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2019**

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**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 2019 budget versus actual comparison combined for governmental funds and business-type activities is presented in the tables below:

**Budget vs. Actual Comparison – Governmental Funds  
Year Ended June 30, 2019**

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
<b>REVENUES</b>			
Property taxes	\$ 310,309	\$ 301,146	\$ 9,163
Special assessments	184,274	171,348	12,926
Charges for services	41,734	78,000	(36,266)
Interest earnings	8,173	5,725	2,448
Other income	25,415	54,200	(28,785)
Total revenues	<u>569,905</u>	<u>610,419</u>	<u>(40,514)</u>
<b>EXPENDITURES</b>			
General government	11,848	59,700	47,852
Parks and recreation	46,243	4,373	(41,870)
Street lighting	155,518	226,504	70,986
Total expenditures	<u>213,609</u>	<u>290,577</u>	<u>76,968</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	145,802	145,802	-
Transfers out	(145,802)	(145,802)	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change	<u>\$ 356,296</u>	<u>\$ 319,842</u>	<u>\$ 36,454</u>

**ROSAMOND COMMUNITY SERVICES DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2019**

**Budget vs. Actual Comparison – Business-Type Activities  
Year Ended June 30, 2019**

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
<b>OPERATING REVENUES</b>			
Water consumption sales	\$ 4,547,322	\$ 4,545,280	\$ 2,042
Wastewater service charges	3,412,879	3,340,020	72,859
Total operating revenues	<u>7,960,201</u>	<u>7,885,300</u>	<u>74,901</u>
<b>OPERATING EXPENSES</b>			
Salaries and benefits	2,040,695	2,136,037	95,342
Operations	<u>2,190,914</u>	<u>2,340,127</u>	<u>149,213</u>
Total operating expenses	<u>4,231,609</u>	<u>4,476,164</u>	<u>244,555</u>
Operating income before depreciation	3,728,592	3,409,136	319,456
Depreciation expense	<u>(2,180,069)</u>	<u>(2,151,133)</u>	<u>(28,936)</u>
Operating income	<u>1,548,523</u>	<u>1,258,003</u>	<u>290,520</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest earnings	349,750	247,781	101,969
Interest expense	(180,816)	(170,747)	(10,069)
Other revenue	24,897	-	24,897
Gain on sale of capital assets	<u>9,454</u>	<u>-</u>	<u>9,454</u>
Total nonoperating revenues (expenses)	<u>203,285</u>	<u>77,034</u>	<u>126,251</u>
Change in net position	<u>\$ 1,751,808</u>	<u>\$ 1,335,037</u>	<u>\$ 416,771</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	\$ 1,335,037
Budgeted principal payments - water	(161,108)
Budgeted principal payments - sewer	(438,535)
Total	<u>\$ 735,394</u>
Approved budget - water	\$ 278,679
Approved budget - sewer	456,715
Total	<u>\$ 735,394</u>

**ROSAMOND COMMUNITY SERVICES DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2019**

**Capital Asset Administration**

**Capital Assets**

	Governmental Activities		Business-Type Activities		Total District	
	2019	2018	2019	2018	2019	2018
<b>Capital assets:</b>						
Non-depreciable assets	\$ 235,450	\$ 678,441	\$ 6,304,297	\$ 4,614,512	\$ 6,539,747	\$ 5,292,953
Depreciable assets	174,477	1,025,606	63,856,859	63,618,598	64,031,336	64,644,204
<b>Total capital assets</b>	<u>409,927</u>	<u>1,704,047</u>	<u>70,161,156</u>	<u>68,233,110</u>	<u>70,571,083</u>	<u>69,937,157</u>
Accumulated depreciation	(67,570)	(607,789)	(43,956,517)	(41,771,829)	(44,024,087)	(42,379,618)
<b>Total capital assets, net</b>	<u>\$ 342,357</u>	<u>\$ 1,096,258</u>	<u>\$ 26,204,639</u>	<u>\$ 26,461,281</u>	<u>\$ 26,546,996</u>	<u>\$ 27,557,539</u>

At the end of fiscal year 2019, the District's investment in capital assets amounted to \$26,546,996 (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 include construction projects at the wastewater treatment plant. 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	
	2019	2018	2019	2018	2019	2018
<b>Long-term liabilities:</b>						
Loans payable	\$ -	\$ -	\$ 6,329,924	\$ 6,884,564	\$ 6,329,924	\$ 6,884,564

Long-term debt decreased due to authorized repayments of \$554,640 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.

**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 35<sup>th</sup> Street West, Rosamond, California 93560 or (661) 256-3411.

## **BASIC FINANCIAL STATEMENTS**

**ROSAMOND COMMUNITY SERVICES DISTRICT**

**STATEMENT OF NET POSITION  
JUNE 30, 2019**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and cash equivalents (Note 2)	\$ 844,715	\$ 16,916,011	\$ 17,760,726
Accrued interest receivable	646	5,913	6,559
Accounts receivable - utilities, net (Note 4)	109	648,507	648,616
Accounts receivable - other (Note 4)	20,367	227,054	247,421
Materials and supplies inventory	-	193,866	193,866
Prepaid expenses and other deposits	-	98,964	98,964
	<hr/>	<hr/>	<hr/>
Total current assets	865,837	18,090,315	18,956,152
<b>Noncurrent assets:</b>			
Restricted - cash and cash equivalents (Notes 2 and 3)	24,048	245,453	269,501
Banked water inventory (Note 6)	-	1,396,208	1,396,208
Internal balances (Note 5)	(1,701,768)	1,701,768	-
Investment in water banking - JPA (Note 7)	-	6,000,000	6,000,000
Capital assets, not being depreciated (Note 8)	235,450	6,304,297	6,539,747
Depreciable capital assets, net (Note 8)	106,907	19,900,342	20,007,249
	<hr/>	<hr/>	<hr/>
Total noncurrent assets	(1,335,363)	35,548,068	34,212,705
	<hr/>	<hr/>	<hr/>
<b>Total assets</b>	<b>(469,526)</b>	<b>53,638,383</b>	<b>53,168,857</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension related (Note 12)	624	565,606	566,230
	<hr/>	<hr/>	<hr/>

See accompanying notes to the basic financial statements.

**ROSAMOND COMMUNITY SERVICES DISTRICT**

**STATEMENT OF NET POSITION, CONTINUED  
JUNE 30, 2019**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>LIABILITIES</b>			
<b>Current liabilities:</b>			
Accounts payable and accrued expenses	\$ 12,116	\$ 257,079	\$ 269,195
Accrued wages and related payables	83	74,060	74,143
Customer deposits	15,000	242,666	257,666
Accrued interest on long-term debt	-	30,252	30,252
Long-term liabilities - due within one year:			
Compensated absences (Note 9)	100	79,663	79,763
Notes payable (Note 10)	-	563,996	563,996
<b>Total current liabilities</b>	<b>27,299</b>	<b>1,247,716</b>	<b>1,275,015</b>
<b>Noncurrent liabilities:</b>			
Long-term liabilities - due within more than one year:			
Compensated absences (Note 9)	301	238,989	239,290
Notes payable (Note 10)	-	5,765,928	5,765,928
Net pension liability (Note 12)	359	325,813	326,172
<b>Total noncurrent liabilities</b>	<b>660</b>	<b>6,330,730</b>	<b>6,331,390</b>
<b>Total liabilities</b>	<b>27,959</b>	<b>7,578,446</b>	<b>7,606,405</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension related (Note 12)	266	240,833	241,099
<b>NET POSITION</b>			
Net investment in capital assets (Note 11)	342,357	19,874,715	20,217,072
Restricted (Note 11)	24,048	245,453	269,501
Unrestricted	(863,532)	26,264,542	25,401,010
<b>Total net position (deficit)</b>	<b>\$ (497,127)</b>	<b>\$ 46,384,710</b>	<b>\$ 45,887,583</b>

See accompanying notes to the basic financial statements.

**ROSAMOND COMMUNITY SERVICES DISTRICT**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2019**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Governmental activities:</b>							
General government	\$ 21,468	\$ 46	\$ -	\$ -	\$ (21,422)	\$ -	\$ (21,422)
Parks and recreation	37,879	-	-	-	(37,879)	-	(37,879)
Street lighting	155,518	225,962	-	-	70,444	-	70,444
Total governmental activities	214,865	226,008	-	-	11,143	-	11,143
<b>Business-type activities:</b>							
Water	4,049,867	4,547,322	-	-	-	497,455	497,455
Wastewater	2,542,627	3,412,879	-	-	-	870,252	870,252
Total business-type activities	6,592,494	7,960,201	-	-	-	1,367,707	1,367,707
<b>Total</b>	<b>\$ 6,807,359</b>	<b>\$ 8,186,209</b>	<b>\$ -</b>	<b>\$ -</b>	<b>11,143</b>	<b>1,367,707</b>	<b>1,378,850</b>
<b>General revenues:</b>							
Property taxes					310,309	-	310,309
Interest earnings					8,173	349,750	357,923
Other revenue					25,415	24,897	50,312
Gain on sale of capital assets					-	9,454	9,454
<b>Total general revenues</b>					<b>343,897</b>	<b>384,101</b>	<b>727,998</b>
<b>Special Item:</b> Transfer of operations (Note 15)					<b>(744,281)</b>	<b>-</b>	<b>(744,281)</b>
<b>Change in net position</b>					<b>(389,241)</b>	<b>1,751,808</b>	<b>1,362,567</b>
<b>Net position (deficit), beginning of year, as restated (Note 16)</b>					<b>(107,886)</b>	<b>44,632,902</b>	<b>44,525,016</b>
<b>Net position (deficit), end of year</b>					<b>\$ (497,127)</b>	<b>\$ 46,384,710</b>	<b>\$ 45,887,583</b>

See accompanying notes to the basic financial statements.

**ROSAMOND COMMUNITY SERVICES DISTRICT**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2019**

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	<u>General Fund</u>	<u>Graffiti Abatement</u>
<b>ASSETS</b>		
Cash and cash equivalents (Note 2)	\$ 488,788	\$ 4,668
Accrued interest receivable	646	-
Accounts receivable - utilities, net (Note 4)	-	-
Accounts receivable - other (Note 4)	20,367	-
Restricted assets:		
Cash and cash equivalents (Note 3)	-	-
	<hr/>	<hr/>
Total assets	<u>\$ 509,801</u>	<u>\$ 4,668</u>
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 783	\$ -
Accrued wages and related payables	-	83
Customer deposits	-	-
Internal balances (Note 5)	-	-
	<hr/>	<hr/>
Total liabilities	<u>783</u>	<u>83</u>
<b>FUND BALANCES</b>		
Restricted	-	4,585
Unassigned	509,018	-
	<hr/>	<hr/>
Total fund balances (deficit)	<u>509,018</u>	<u>4,585</u>
	<hr/>	<hr/>
Total liabilities and fund balances	<u>\$ 509,801</u>	<u>\$ 4,668</u>

See accompanying notes to the basic financial statements.

**ROSAMOND COMMUNITY SERVICES DISTRICT**

**BALANCE SHEET, CONTINUED  
GOVERNMENTAL FUNDS  
JUNE 30, 2019**

<u>Parks and Recreation</u>	<u>Street Lighting</u>	<u>Total Governmental Funds</u>
\$ 38,933	\$ 312,326	\$ 844,715
-	-	646
-	109	109
-	-	20,367
<u>24,048</u>	<u>-</u>	<u>24,048</u>
<u>\$ 62,981</u>	<u>\$ 312,435</u>	<u>\$ 889,885</u>
\$ -	\$ 11,333	\$ 12,116
-	-	83
-	15,000	15,000
<u>1,639,648</u>	<u>62,120</u>	<u>1,701,768</u>
<u>1,639,648</u>	<u>88,453</u>	<u>1,728,967</u>
24,048	223,982	252,615
<u>(1,600,715)</u>	<u>-</u>	<u>(1,091,697)</u>
<u>(1,576,667)</u>	<u>223,982</u>	<u>(839,082)</u>
<u>\$ 62,981</u>	<u>\$ 312,435</u>	<u>\$ 889,885</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, 2019**

---

**Fund balances (deficit) of governmental funds** \$ (839,082)

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 \$409,927 and the accumulated depreciation is \$67,570. 342,357

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 (401)  
Net pension liability (359)

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

Deferred outflows of resources 624  
Deferred inflows of resources (266)

**Net position (deficit) of governmental activities** \$ (497,127)

**ROSAMOND COMMUNITY SERVICES DISTRICT**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019**

---

	<b>General Fund</b>	<b>Graffiti Abatement</b>
<b>REVENUES</b>		
Property taxes	\$ 310,309	\$ -
Special assessments	-	-
Charges for services	46	-
Interest earnings	5,938	-
Other income	25,415	-
	<hr/>	<hr/>
Total revenues	341,708	-
	<hr/>	<hr/>
<b>EXPENDITURES</b>		
General government	5,911	5,937
Parks and recreation	-	-
Street lighting	-	-
	<hr/>	<hr/>
Total expenditures	5,911	5,937
	<hr/>	<hr/>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers in	-	6,500
Transfers out	(124,069)	-
	<hr/>	<hr/>
Total other financing sources (uses)	(124,069)	6,500
	<hr/>	<hr/>
Net change in fund balances	211,728	563
	<hr/>	<hr/>
Fund balances (deficit), beginning of year, as restated	297,290	4,022
	<hr/>	<hr/>
Fund balances (deficit), end of year	\$ 509,018	\$ 4,585
	<hr/> <hr/>	<hr/> <hr/>

See accompanying notes to the basic financial statements.

**ROSAMOND COMMUNITY SERVICES DISTRICT**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2019**

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<u>Parks and Recreation</u>	<u>Street Lighting</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ 310,309
-	184,274	184,274
-	41,688	41,734
1,289	946	8,173
-	-	25,415
<u>1,289</u>	<u>226,908</u>	<u>569,905</u>
-	-	11,848
46,243	-	46,243
-	155,518	155,518
<u>46,243</u>	<u>155,518</u>	<u>213,609</u>
113,309	25,993	145,802
-	(21,733)	(145,802)
<u>113,309</u>	<u>4,260</u>	<u>-</u>
68,355	75,650	356,296
<u>(1,645,022)</u>	<u>148,332</u>	<u>(1,195,378)</u>
<u>\$ (1,576,667)</u>	<u>\$ 223,982</u>	<u>\$ (839,082)</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, 2019**

---

**Net change in fund balances - total governmental funds** \$ 356,296

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 (9,620)

Capital assets related to the transfer of operations is included in the special item on the Statement of Activities. (744,281)

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 12,507  
Pension related net adjustments (4,143)

**Change in net position of governmental activities** \$ (389,241)

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**ROSAMOND COMMUNITY SERVICES DISTRICT****STATEMENT OF NET POSITION – ENTERPRISE FUNDS  
JUNE 30, 2019**

	<u>Water</u>	<u>Wastewater</u>	<u>Total Business-Type Activities</u>
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and cash equivalents (Note 2)	\$ 5,976,819	\$ 10,939,192	\$ 16,916,011
Accrued interest receivable	2,952	2,961	5,913
Accounts receivable - utilities, net (Note 4)	425,007	223,500	648,507
Accounts receivable - other (Note 4)	187,258	39,796	227,054
Materials and supplies inventory	193,866	-	193,866
Prepaid expenses and other deposits	88,227	10,737	98,964
	<u>6,874,129</u>	<u>11,216,186</u>	<u>18,090,315</u>
<b>Noncurrent assets:</b>			
Restricted - cash and cash equivalents (Notes 2 and 3)	217,715	27,738	245,453
Banked water inventory (Note 6)	1,396,208	-	1,396,208
Internal balances (Note 5)	-	2,054,852	2,054,852
Investment in water banking - JPA (Note 7)	6,000,000	-	6,000,000
Capital assets, not being depreciated (Note 8)	4,195,905	2,108,392	6,304,297
Capital assets, net (Note 8)	9,883,859	10,016,483	19,900,342
	<u>21,693,687</u>	<u>14,207,465</u>	<u>35,901,152</u>
Total noncurrent assets	<u>21,693,687</u>	<u>14,207,465</u>	<u>35,901,152</u>
Total assets	<u>28,567,816</u>	<u>25,423,651</u>	<u>53,991,467</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension related (Note 12)	344,775	220,831	565,606

See accompanying notes to the basic financial statements.

**ROSAMOND COMMUNITY SERVICES DISTRICT**

**STATEMENT OF NET POSITION – ENTERPRISE FUNDS, CONTINUED  
JUNE 30, 2019**

	<u>Water</u>	<u>Wastewater</u>	<u>Total Business-Type Activities</u>
<b>LIABILITIES</b>			
<b>Current liabilities:</b>			
Accounts payable and accrued expenses	\$ 121,697	\$ 135,382	\$ 257,079
Accrued wages and related payables	45,270	28,790	74,060
Customer deposits	77,991	164,675	242,666
Accrued interest on long-term debt	-	30,252	30,252
Long-term liabilities - due within one year:			
Compensated absences (Note 9)	43,617	36,046	79,663
Notes payable (Note 10)	133,467	430,529	563,996
	<u>422,042</u>	<u>825,674</u>	<u>1,247,716</u>
Total current liabilities			
<b>Noncurrent liabilities:</b>			
Long-term liabilities - due within more than one year:			
Compensated absences (Note 9)	130,850	108,139	238,989
Notes payable (Note 10)	1,352,894	4,413,034	5,765,928
Internal balances (Note 5)	353,084	-	353,084
Net pension liability (Note 12)	198,606	127,207	325,813
	<u>2,035,434</u>	<u>4,648,380</u>	<u>6,683,814</u>
Total noncurrent liabilities			
Total liabilities	<u>2,457,476</u>	<u>5,474,054</u>	<u>7,931,530</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension related (Note 12)	146,805	94,028	240,833
	<u>146,805</u>	<u>94,028</u>	<u>240,833</u>
<b>NET POSITION</b>			
Net investment in capital assets (Note 11)	12,593,403	7,281,312	19,874,715
Restricted (Note 11)	217,715	27,738	245,453
Unrestricted	13,497,192	12,767,350	26,264,542
	<u>13,497,192</u>	<u>12,767,350</u>	<u>26,264,542</u>
Total net position	<u>\$ 26,308,310</u>	<u>\$ 20,076,400</u>	<u>\$ 46,384,710</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, 2019**

	<u>Water</u>	<u>Wastewater</u>	<u>Total Business-Type Activities</u>
<b>OPERATING REVENUES</b>			
Water consumption sales	\$ 4,547,322	\$ -	\$ 4,547,322
Wastewater service charges	-	3,412,879	3,412,879
Total operating revenues	<u>4,547,322</u>	<u>3,412,879</u>	<u>7,960,201</u>
<b>OPERATING EXPENSES</b>			
Salaries and benefits	1,211,133	829,562	2,040,695
Operations	1,297,301	893,613	2,190,914
Total operating expenses	<u>2,508,434</u>	<u>1,723,175</u>	<u>4,231,609</u>
Operating income before depreciation	2,038,888	1,689,704	3,728,592
Depreciation expense	<u>(1,495,621)</u>	<u>(684,448)</u>	<u>(2,180,069)</u>
Operating income	<u>543,267</u>	<u>1,005,256</u>	<u>1,548,523</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest earnings	106,168	243,582	349,750
Interest expense	(45,812)	(135,004)	(180,816)
Other revenue	23,337	1,560	24,897
Gain on sale of capital assets	4,727	4,727	9,454
Total nonoperating revenues (expenses)	<u>88,420</u>	<u>114,865</u>	<u>203,285</u>
Change in net position	631,687	1,120,121	1,751,808
Net position, beginning of year	<u>25,676,623</u>	<u>18,956,279</u>	<u>44,632,902</u>
Net position, end of year	<u>\$ 26,308,310</u>	<u>\$ 20,076,400</u>	<u>\$ 46,384,710</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, 2019**

	<u>Water</u>	<u>Wastewater</u>	<u>Total Business-Type Activities</u>
<b>Cash flows from operating activities:</b>			
Cash receipts from customers	\$ 4,672,483	\$ 3,439,407	\$ 8,111,890
Cash paid to employees for salaries and benefits	(1,135,627)	(824,916)	(1,960,543)
Cash paid to vendors and suppliers	(1,304,145)	(993,555)	(2,297,700)
Net cash provided by operating activities	<u>2,232,711</u>	<u>1,620,936</u>	<u>3,853,647</u>
<b>Cash flows from noncapital financing activities:</b>			
Other noncapital revenue	23,337	1,560	24,897
Cash received (used) for Parks and Recreation Fund loans	(21,603)	142,183	120,580
Net cash provided by noncapital financing activities	<u>1,734</u>	<u>143,743</u>	<u>145,477</u>
<b>Cash flows from capital and related financing activities:</b>			
Acquisition and construction of capital assets	(403,283)	(1,520,144)	(1,923,427)
Proceeds from sale of capital assets	4,727	4,727	9,454
Principal payments on notes payable	(134,462)	(420,178)	(554,640)
Interest payments on notes payable	(45,812)	(137,624)	(183,436)
Net cash used by capital and related financing activities	<u>(578,830)</u>	<u>(2,073,219)</u>	<u>(2,652,049)</u>
<b>Cash flows from investing activities:</b>			
Interest earnings	105,359	236,526	341,885
Net cash provided by investing activities	<u>105,359</u>	<u>236,526</u>	<u>341,885</u>
Net change in cash and cash equivalents	1,760,974	(72,014)	1,688,960
<b>Cash and cash equivalents, beginning of year</b>	<u>4,433,560</u>	<u>11,038,944</u>	<u>15,472,504</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 6,194,534</u>	<u>\$ 10,966,930</u>	<u>\$ 17,161,464</u>
Reconciliation to the Statement of Net Position			
Cash and cash equivalents	\$ 5,976,819	\$ 10,939,192	\$ 16,916,011
Restricted cash and cash equivalents	217,715	27,738	245,453
	<u>\$ 6,194,534</u>	<u>\$ 10,966,930</u>	<u>\$ 17,161,464</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, 2019**

	<u>Water</u>	<u>Wastewater</u>	<u>Total Business-Type Activities</u>
Reconciliation of operating income to net cash provided by operating activities:			
<b>Operating income</b>	\$ 543,267	\$ 1,005,256	\$ 1,548,523
<b>Adjustments to reconcile operating income to net cash provided by operating activities:</b>			
Depreciation expense	1,495,621	684,448	2,180,069
Changes in assets and liabilities:			
(Increase) decrease in assets:			
Accounts receivable - utilities, net	1,224	(15,043)	(13,819)
Accounts receivable - other	118,579	7,892	126,471
Materials and supplies inventory	11,548	-	11,548
Prepaid expenses and other deposits	(3,394)	(2,074)	(5,468)
Deferred outflows of resources	237,417	127,575	364,992
Increase (decrease) in liabilities:			
Accounts payable and accrued expenses	(14,998)	(145,419)	(160,417)
Accrued wages and related payables	2,332	5,549	7,881
Customer deposits	5,358	33,679	39,037
Compensated absences	3,746	5,078	8,824
Deferred inflows of resources	(141,038)	(78,230)	(219,268)
Net pension liability	(26,951)	(7,775)	(34,726)
Total adjustments	<u>1,689,444</u>	<u>615,680</u>	<u>2,305,124</u>
Net cash provided by operating activities	<u>\$ 2,232,711</u>	<u>\$ 1,620,936</u>	<u>\$ 3,853,647</u>

See accompanying notes to the basic financial statements.

## ROSAMOND COMMUNITY SERVICES DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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#### 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, 2019**

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**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, 2019**

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**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, 2019**

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**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*

**General Fund** – Used to account for and report all financial resources not accounted for and reported in another fund.

**Graffiti Abatement** – This fund is used to account for costs related to graffiti abatement within the District.

**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, 2019**

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**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, 2019. 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, 2019**

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**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 acquisition 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, 2019**

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#### **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, 2019**

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**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, 2019, in the amount of \$(1,576,667) represents its proportionate share of the internal loan, less its total assets. This fund balance deficit will be incrementally reduced in direct correlation with its annual debt service payments.

10. Utility Sales

Utility sales are billed on a monthly basis. Estimated unbilled utility revenue through June 30, 2019 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, 2019**

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**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](http://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, 2017
Measurement Date (MD)	June 30, 2018
Measurement Period (MP)	July 1, 2017 to June 30, 2018

**ROSAMOND COMMUNITY SERVICES DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

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**NOTE 2 – CASH AND CASH EQUIVALENTS**

Cash and cash equivalents as of June 30, 2019, are classified as follows:

Statement of Net Position:	
Cash and cash equivalents	\$ 17,760,726
Restricted cash and cash equivalents	<u>269,501</u>
 Total cash and cash equivalents	 <u><u>\$ 18,030,227</u></u>

Cash and cash equivalents as of June 30, 2019, consist of the following:

Cash on hand	\$ 3,050
Deposits held with financial institutions	1,849,233
Deposit of note proceeds held with financial institutions	245,453
Local Agency Investment Fund (LAIF)	1,026,557
Cal Trust	<u>14,905,934</u>
 Total cash and cash equivalents	 <u><u>\$ 18,030,227</u></u>

**ROSAMOND COMMUNITY SERVICES DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

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**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, 2019**

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**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 \$1,907,931 as of June 30, 2019. Of the bank balances, up to \$250,000 for 2019 is federally insured, per institution, and the remaining balance of \$1,657,931 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	\$ 1,026,557	\$ 1,026,557
Cal Trust	14,905,934	14,905,934
Total investments	<u>\$ 15,932,491</u>	<u>\$ 15,932,491</u>

**ROSAMOND COMMUNITY SERVICES DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

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**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 year-end 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	\$ 1,026,557	N/A	\$ 1,026,557
Cal Trust	<u>14,905,934</u>	N/A	<u>14,905,934</u>
Total investments	<u>\$ 15,932,491</u>		<u>\$ 15,932,491</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 6.4% and 93.6%, respectively, of the District's total depository and investment portfolio as of June 30, 2019.

Fair Value Measurements

Generally accepted accounting principles 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 \$14,905,934 is valued using level 2 inputs by the Local Agency Advisory Board as of June 30, 2019. The District's investment in the Local Agency Investment Fund of \$1,026,557 is measured at Net Asset Value (NAV).

**ROSAMOND COMMUNITY SERVICES DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**NOTE 3 – RESTRICTED CASH AND CASH EQUIVALENTS**

Restricted funds of \$217,715 in the Water Fund and \$27,738 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 \$24,048 in the Parks and Recreation Fund are included in noncurrent assets as they represent the balance of unspent County Service Area revenues that are being held for future maintenance expenditures or debt service payments.

**NOTE 4 – ACCOUNTS RECEIVABLE**

The accounts receivable balance consists of the following balances as of June 30, 2019:

	General Fund	Street Lighting	Water	Wastewater	Total
Accounts receivable - utilities	\$ -	\$ 109	\$ 425,007	\$ 223,500	\$ 648,616
Accounts receivable - other	20,367	-	94,128	39,796	154,291
Due from William Fisher Memorial Water Company	-	-	93,130	-	93,130
Accounts receivable, net	<u>\$ 20,367</u>	<u>\$ 109</u>	<u>\$ 612,265</u>	<u>\$ 263,296</u>	<u>\$ 896,037</u>

On March 30, 2017 an ex parte 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, 2019:

Due From	Due To Wastewater
Street Lighting	\$ 62,120
Parks and Recreation	1,639,648
Subtotal	1,701,768
Water	353,084
Total	<u>\$ 2,054,852</u>

**ROSAMOND COMMUNITY SERVICES DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

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**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.

**ROSAMOND COMMUNITY SERVICES DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**NOTE 6 – BANKED WATER INVENTORY (Continued)**

The following is a summary of the changes in banked water recorded as inventory as of June 30, 2019:

	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
<b>Total</b>	<b>2,769</b>	<b>2,292</b>	<b>\$ 796,208</b>	<b>1,500</b>	<b>1,500</b>	<b>\$ 600,000</b>	<b>4,269</b>	<b>3,792</b>	<b>\$ 1,396,208</b>

**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, 2019**

**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, 2019, the District has paid SRWBA \$6,000,000 and has now paid for and fully acquired its shares.

**NOTE 8 – CAPITAL ASSETS**

*Governmental Activities*

Changes in capital assets for the year were as follows:

	Balance at June 30, 2018	Transfer to Enterprise Funds	Increases	Decreases	Balance at June 30, 2019
Capital assets, not being depreciated:					
Land	\$ 678,441	\$ -	\$ -	\$ (442,991)	\$ 235,450
Total capital assets, not being depreciated	678,441	-	-	(442,991)	235,450
Capital assets, being depreciated:					
Park improvements	942,151	-	-	(767,674)	174,477
Vehicles and equipment	83,455	(43,917)	-	(39,538)	-
Total capital assets, being depreciated	1,025,606	(43,917)	-	(807,212)	174,477
Less accumulated depreciation for:					
Park improvements	(524,334)	-	(9,620)	466,384	(67,570)
Vehicles and equipment	(83,455)	43,917	-	39,538	-
Total accumulated depreciation	(607,789)	43,917	(9,620)	505,922	(67,570)
Total capital assets, being depreciated, net	417,817	-	(9,620)	(301,290)	106,907
Governmental activities capital assets, net	<u>\$ 1,096,258</u>	<u>\$ -</u>	<u>\$ (9,620)</u>	<u>\$ (744,281)</u>	<u>\$ 342,357</u>

Depreciation expense of \$9,620 was allocated to the General Government function for the year ended June 30, 2019.

**ROSAMOND COMMUNITY SERVICES DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**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, 2018	Transfer from Governmental Activities	Increases	Decreases	Balance at June 30, 2019
Capital assets, not being depreciated:					
Land	\$ 3,533,586	\$ -	\$ -	\$ -	\$ 3,533,586
Construction in progress	1,080,926	-	1,725,442	(35,657)	2,770,711
 Total capital assets, not being depreciated	 4,614,512	 -	 1,725,442	 (35,657)	 6,304,297
Capital assets, being depreciated:					
Facilities system	60,630,061	-	16,402	-	60,646,463
Vehicles and equipment	2,988,537	43,917	223,288	(45,346)	3,210,396
 Total capital assets, being depreciated	 63,618,598	 43,917	 239,690	 (45,346)	 63,856,859
Less accumulated depreciation for:					
Facilities system	(39,331,417)	-	(1,999,624)	-	(41,331,041)
Vehicles and equipment	(2,440,412)	(43,917)	(180,445)	39,298	(2,625,476)
 Total accumulated depreciation	 (41,771,829)	 (43,917)	 (2,180,069)	 39,298	 (43,956,517)
 Total capital assets, being depreciated, net	 21,846,769	 -	 (1,940,379)	 (6,048)	 19,900,342
 Business-type activities capital assets, net	 \$ 26,461,281	 \$ -	 \$ (214,937)	 \$ (41,705)	 \$ 26,204,639

Depreciation expense under business-type activities was allocated as follows for the year ended June 30, 2019:

Water	\$ 1,495,621
Wastewater	684,448
 Total Depreciation Expense	 \$ 2,180,069

**ROSAMOND COMMUNITY SERVICES DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**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, 2018	Transfer From Governmental Activities	Increases	Decreases	Balance at June 30, 2019
Capital assets, not being depreciated:					
Land	\$ 3,008,995	\$ -	\$ -	\$ -	\$ 3,008,995
Construction in progress	892,661	-	315,305	(21,056)	1,186,910
 Total capital assets, not being depreciated	 3,901,656	 -	 315,305	 (21,056)	 4,195,905
Capital assets, being depreciated:					
Water transmission and distribution	42,935,351	-	8,201	-	42,943,552
Vehicles and equipment	2,112,071	5,769	103,857	(22,673)	2,199,024
 Total capital assets, being depreciated	 45,047,422	 5,769	 112,058	 (22,673)	 45,142,576
Less accumulated depreciation for:					
Water transmission and distribution	(32,096,813)	-	(1,373,663)	-	(33,470,476)
Vehicles and equipment	(1,680,163)	(5,769)	(121,958)	19,649	(1,788,241)
 Total accumulated depreciation	 (33,776,976)	 (5,769)	 (1,495,621)	 19,649	 (35,258,717)
 Total capital assets, being depreciated, net	 11,270,446	 -	 (1,383,563)	 (3,024)	 9,883,859
 Business-type activities capital assets, net	 \$ 15,172,102	 \$ -	 \$ (1,068,258)	 \$ (24,080)	 \$ 14,079,764

*Construction-in-Progress*

The balance at June 30, 2019 consists of the following projects:

	Balance at June 30, 2019
Arsenic mitigation	\$ 129,478
Replacement water meters	746,048
ACP replacement project	159,434
Various projects less than \$100,000	151,950
 Construction-in-progress	 \$ 1,186,910

**ROSAMOND COMMUNITY SERVICES DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**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, 2018	Transfer from Governmental Activities	Increases	Decreases	Balance at June 30, 2019
Capital assets, not being depreciated:					
Land	\$ 524,591	\$ -	\$ -	\$ -	\$ 524,591
Construction in progress	188,265	-	1,410,137	(14,601)	1,583,801
 Total capital assets, not being depreciated	 712,856	 -	 1,410,137	 (14,601)	 2,108,392
Capital assets, being depreciated:					
Wastewater system	17,694,710	-	8,201	-	17,702,911
Vehicles and equipment	876,466	38,148	119,431	(22,673)	1,011,372
 Total capital assets, being depreciated	 18,571,176	 38,148	 127,632	 (22,673)	 18,714,283
Less accumulated depreciation for:					
Wastewater system	(7,234,604)	-	(625,961)	-	(7,860,565)
Vehicles and equipment	(760,249)	(38,148)	(58,487)	19,649	(837,235)
 Total accumulated depreciation	 (7,994,853)	 (38,148)	 (684,448)	 19,649	 (8,697,800)
 Total capital assets, being depreciated, net	 10,576,323	 -	 (556,816)	 (3,024)	 10,016,483
 Business-type activities capital assets, net	 \$ 11,289,179	 \$ -	 \$ 853,321	 \$ (17,625)	 \$ 12,124,875

*Construction-in-Progress*

The balance at June 30, 2019 consists of the following projects:

	Balance at June 30, 2019
Wastewater treatment plant	\$ 12,615
Wastewater treatment plant rehabilitation project	1,555,419
Various projects less than \$100,000	15,767
 Construction-in-progress	 \$ 1,583,801

**ROSAMOND COMMUNITY SERVICES DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

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**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, 2019, were as follows:

	<u>Balance June 30, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2019</u>	<u>Due within One Year</u>
Governmental Activities	\$ 12,908	\$ 302	\$ (12,809)	\$ 401	\$ 100
Business-Type Activities	<u>309,828</u>	<u>182,053</u>	<u>(173,229)</u>	<u>318,652</u>	<u>79,663</u>
Total	<u>\$ 322,736</u>	<u>\$ 182,355</u>	<u>\$ (186,038)</u>	<u>\$ 319,053</u>	<u>\$ 79,763</u>

**ROSAMOND COMMUNITY SERVICES DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**NOTE 10 – LONG TERM DEBT**

Business-type activities:	Balance at June 30, 2018	Additions	Deletions	Balance at June 30, 2019	Due within one year
Water Fund:					
Zions Bank Note	\$ 1,620,823	\$ -	\$ (134,462)	\$ 1,486,361	\$ 133,467
Wastewater Fund:					
Zions Bank Note	206,486	-	(17,130)	189,356	17,003
State Water Pollution Control Note	5,057,255	-	(403,048)	4,654,207	413,526
Total wastewater fund	5,263,741	-	(420,178)	4,843,563	430,529
Total business-type	\$ 6,884,564	\$ -	\$ (554,640)	\$ 6,329,924	\$ 563,996

*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 \$105,221 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
2020	\$ 150,470	\$ 59,973	\$ 210,443
2021	156,028	54,415	210,443
2022	161,791	48,652	210,443
2023	167,766	42,677	210,443
2024	173,963	36,480	210,443
2025 - 2029	865,699	81,292	946,991
	<u>\$ 1,675,717</u>	<u>\$ 323,489</u>	<u>\$ 1,999,206</u>

**ROSAMOND COMMUNITY SERVICES DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**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>
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	458,240	76,296	534,536
2025 - 2029	2,476,226	196,450	2,672,676
	<u>\$ 4,654,207</u>	<u>\$ 691,149</u>	<u>\$ 5,345,356</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	\$ 235,450	\$ 6,304,297	\$ 6,539,747
Capital assets - being depreciated, net	106,907	19,900,342	20,007,249
Note payable - current portion	-	(563,996)	(563,996)
Note payable - noncurrent portion	-	(5,765,928)	(5,765,928)
Total net investment in capital assets	<u>\$ 342,357</u>	<u>\$ 19,874,715</u>	<u>\$ 20,217,072</u>
Parks and Recreation Fund - CSA fees	\$ 24,048	\$ -	\$ 24,048
Water Fund - debt service	-	217,715	217,715
Wastewater Fund - debt service	-	27,738	27,738
Total restricted net position	<u>\$ 24,048</u>	<u>\$ 245,453</u>	<u>\$ 269,501</u>

**ROSAMOND COMMUNITY SERVICES DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

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**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](http://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, 2019 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	10.022%	6.842%

**ROSAMOND COMMUNITY SERVICES DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

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**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, 2019 were \$138,868. The actual employer payments of \$130,091 made to CalPERS by the District during the measurement period ended June 30, 2018 differed from the District's proportionate share of the employer's contributions of \$191,792 by \$61,701, 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, 2018, using an annual actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 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, 2019**

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**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, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market Value of Assets
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases <sup>(1)</sup>	3.3% - 14.2%
Mortality Rate Table <sup>(2)</sup>	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.0% until purchasing power protection allowance Floor on purchasing power applies, 2.5% thereafter

(1) Annual increases vary by category, entry age, and duration of service.  
(2) The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

All other actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from 1997 to 2015, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website, at [www.calpers.ca.gov](http://www.calpers.ca.gov).

***Long-term Expected Rate of Return***

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

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

**ROSAMOND COMMUNITY SERVICES DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

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**NOTE 12 – DEFINED BENEFIT PENSION PLAN (Continued)**

***B. Net Pension Liability (Continued)***

***Long-term Expected Rate of Return (Continued)***

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

<b>Asset Class<sup>1</sup></b>	<b>New Strategic Allocation</b>	<b>Real Return Years 1 - 10<sup>2</sup></b>	<b>Real Return Years 11+<sup>3</sup></b>
Global equity	50.0%	4.80%	5.98%
Fixed income	28.0%	1.00%	2.62%
Inflation assets	-	0.77%	1.81%
Private equity	8.0%	6.30%	7.23%
Real assets	13.0%	3.75%	4.93%
Liquidity	1.0%	-	(0.92%)

<sup>1</sup> In the System's CAFR, fixed income is included in global debt securities; liquidity is included in short-term investments; inflation assets are included in both global equity securities and global debt securities.

<sup>2</sup> An expected inflation of 2.0% used for this period.

<sup>3</sup> An expected inflation of 2.92% used for this period.

***Change of Assumptions***

In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate.

***Discount Rate***

The discount rate used to measure the total pension liability for PERF C was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**ROSAMOND COMMUNITY SERVICES DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

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**NOTE 12 – DEFINED BENEFIT PENSION PLAN (Continued)**

***B. Net Pension Liability (Continued)***

***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](http://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.

***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.

	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (c) = (a) - (b)</b>
Balance at: 6/30/2017 (Valuation Date)	\$ 4,708,865	\$ 4,334,745	\$ 374,120
Balance at: 6/30/2018 (Measurement Date)	\$ 5,361,252	\$ 5,035,080	\$ 326,172
Net Changes during 2017-18	\$ 652,387	\$ 700,335	\$ (47,948)

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, 2018, 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, 2017 rolled forward to June 30, 2018 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](http://www.calpers.ca.gov). The District’s proportionate share of the net pension liability for the Plan as of the June 30, 2017 and 2018 measurement dates was as follows:

**ROSAMOND COMMUNITY SERVICES DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

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**NOTE 12 – DEFINED BENEFIT PENSION PLAN (Continued)**

**C. Proportionate Share of Net Pension Liability (Continued)**

	<u>Miscellaneous</u>
Proportionate Share - June 30, 2017	0.00949%
Proportionate Share - June 30, 2018	0.00866%
Change - Increase (Decrease)	-0.00084%

**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%</u> <u>(6.15%)</u>	<u>Current Discount</u> <u>Rate (7.15%)</u>	<u>Discount Rate + 1%</u> <u>(8.15%)</u>
Plan's Net Pension Liability	\$ 1,051,395	\$ 326,172	\$ (272,488)

**Subsequent Events**

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

**Amortization of Deferred Outflows and Deferred Inflows of Resources**

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 expected average remaining service lives of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period

**ROSAMOND COMMUNITY SERVICES DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

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**NOTE 12 – DEFINED BENEFIT PENSION PLAN (Continued)**

***C. Proportionate Share of Net Pension Liability (Continued)***

***Amortization of Deferred Outflows and Deferred Inflows of Resources (Continued)***

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 PERF C for the measurement period ending June 30, 2018 is 3.8 years, which was obtained by dividing the total service years of 516,147 (the sum of remaining service lifetimes of the active employees) by 135,474 (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.

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

As of the start of the measurement period (July 1, 2017), the District's net pension liability was \$374,120. For the measurement period ending June 30, 2018 (the measurement date), the District incurred pension expense of \$254,009.

As of June 30, 2019, the District has deferred outflows and deferred inflows of resources related to pensions as follows:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Changes of Assumptions	\$ 28,071	\$ -
Difference between Expected and Actual Experience	8,256	-
Difference Between Projected and Actual Investment Earnings on Pension Plan	1,613	-
Difference Between Employer's Contributions and Proportionate Share of Contributions	162,358	(66,985)
Change in Employer's Proportion	227,064	(174,114)
Pension Contributions Made Subsequent to the Measurement Date	138,868	-
<b>Total</b>	<b>\$ 566,230</b>	<b>\$ (241,099)</b>

These amounts above are net of outflows and inflow recognized in the 2017-18 measurement period expense. The \$138,868 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:

**ROSAMOND COMMUNITY SERVICES DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

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**NOTE 12 – DEFINED BENEFIT PENSION PLAN (Continued)**

***D. Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions (Continued)***

<b>Fiscal Year Ended June 30:</b>	<b>Deferred Outflows/(Inflows) of Resources</b>
2020	\$ 85,923
2021	79,447
2022	23,826
2023	(2,933)
2024	-
Remaining	-

***E. Payable to the Pension Plan***

At June 30, 2019, the District reported a payable of \$-0- for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2019.

**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, 2019, 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.

## **ROSAMOND COMMUNITY SERVICES DISTRICT**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019**

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#### **NOTE 13 – RISK MANAGEMENT (Continued)**

- 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.

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 2019, 2018, and 2017. 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, 2019, 2018, and 2017.

#### **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.

**ROSAMOND COMMUNITY SERVICES DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

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**NOTE 14 – COMMITMENTS AND CONTINGENCIES (Continued)**

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.

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.

**ROSAMOND COMMUNITY SERVICES DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**NOTE 15 – SPECIAL ITEM (TRANSFER OF OPERATIONS)**

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. During the fiscal year 2019, the District performed a comprehensive accounting of physical inventory and park specific assets and liabilities which resulted in a transfer of operations back to the County in the amount of \$744,281.

**NOTE 16 – PRIOR PERIOD RESTATEMENT**

During the fiscal year ended June 30, 2019, the District concluded that certain long-term items such as loans payable to other funds and capital assets should be tracked and maintained in a separate fund, in accordance with governmental accounting standards. In order to properly reflect this activity, an adjustment to beginning fund balance and net position has been recorded.

	General Fund	Graffiti Abatement	Parks and Recreation	Street Lighting	Total Governmental Funds
Fund balances, as previously reported	\$ -	\$ -	\$ (1,345,347)	\$ 148,332	\$ (1,197,015)
Prior period adjustment	<u>297,290</u>	<u>4,022</u>	<u>(299,675)</u>	<u>-</u>	<u>1,637</u>
Fund balances, as restated	<u>\$ 297,290</u>	<u>\$ 4,022</u>	<u>\$ (1,645,022)</u>	<u>\$ 148,332</u>	<u>\$ (1,195,378)</u>
	<u>Reconciling Items</u>				
	Governmental Funds	Long-term assets	Long-term liabilities	Deferred items	Total Governmental Activities
Fund balance/Net position, as previously reported	\$ (1,197,015)	\$ 1,096,258	\$ (26,489)	\$ 17,723	\$ (109,523)
Prior period adjustment	<u>1,637</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,637</u>
Fund balance/Net position, as restated	<u>\$ (1,195,378)</u>	<u>\$ 1,096,258</u>	<u>\$ (26,489)</u>	<u>\$ 17,723</u>	<u>\$ (107,886)</u>

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**REQUIRED SUPPLEMENTARY INFORMATION**

**ROSAMOND COMMUNITY SERVICES DISTRICT**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL – GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ 301,146	\$ 301,146	\$ 310,309	\$ 9,163
Charges for services	-	-	46	46
Interest earnings	4,984	4,984	5,938	954
Other income	54,200	54,200	25,415	(28,785)
Total revenues	360,330	360,330	341,708	(18,622)
<b>EXPENDITURES</b>				
General government	53,200	53,200	5,911	47,289
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(124,069)	(124,069)	(124,069)	-
Total other financing sources (uses)	(124,069)	(124,069)	(124,069)	-
Net change in fund balance	183,061	183,061	211,728	28,667
Fund balance, beginning of year, as restated	297,290	297,290	297,290	-
Fund balance, end of year	\$ 480,351	\$ 480,351	\$ 509,018	\$ 28,667

**ROSAMOND COMMUNITY SERVICES DISTRICT**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL – GRAFFITI ABATEMENT FUND  
FOR THE YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Total revenues	\$ -	\$ -	\$ -	\$ -
<b>EXPENDITURES</b>				
General government	6,500	6,500	5,937	563
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	6,500	6,500	6,500	-
Net change in fund balance	-	-	563	563
Fund balance, beginning of year, as restated	4,022	4,022	4,022	-
Fund balance, end of year	\$ 4,022	\$ 4,022	\$ 4,585	\$ 563

**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, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Interest earnings	\$ -	\$ -	\$ 1,289	\$ 1,289
Total revenues	-	-	1,289	1,289
<b>EXPENDITURES</b>				
Parks and recreation	4,373	4,373	46,243	(41,870)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	113,309	113,309	113,309	-
Total other financing sources (uses)	113,309	113,309	113,309	-
Net change in fund balance	108,936	108,936	68,355	(40,581)
Fund balance (deficit), beginning of year, as restated	(1,645,022)	(1,645,022)	(1,645,022)	-
Fund balance (deficit), end of year	<u>\$ (1,536,086)</u>	<u>\$ (1,536,086)</u>	<u>\$ (1,576,667)</u>	<u>\$ (40,581)</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, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Special assessments	\$ 171,348	\$ 171,348	\$ 184,274	\$ 12,926
Charges for services	78,000	78,000	41,688	(36,312)
Interest earnings	741	741	946	205
Total revenues	<u>250,089</u>	<u>250,089</u>	<u>226,908</u>	<u>(23,181)</u>
<b>EXPENDITURES</b>				
Street lighting	<u>226,504</u>	<u>226,504</u>	<u>155,518</u>	<u>70,986</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	25,993	25,993	25,993	-
Transfers out	<u>(21,733)</u>	<u>(21,733)</u>	<u>(21,733)</u>	<u>-</u>
Total other financing sources (uses)	<u>4,260</u>	<u>4,260</u>	<u>4,260</u>	<u>-</u>
Net change in fund balance	27,845	27,845	75,650	47,805
Fund balance, beginning of year	<u>148,332</u>	<u>148,332</u>	<u>148,332</u>	<u>-</u>
Fund balance, end of year	<u>\$ 176,177</u>	<u>\$ 176,177</u>	<u>\$ 223,982</u>	<u>\$ 47,805</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 <sup>1</sup>	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 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%
6/30/2018	0.00866%	326,172	1,323,305	24.65%	93.92%

<sup>1</sup> 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\***

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Fiscal Year	Contractually Determined Contributions	Contributions in Relation to the		Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
		Contractually Determined Contributions	Contribution Deficiency (Excess)		
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%
2018-19	138,868	(138,868)	-	1,283,337	10.82%

**Notes to Schedule:**

Change in Benefit Terms: None

Changes in Assumptions: In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate. In 2017, the accounting discount rate was reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense). In 2014, amounts reported were based on the 7.5 percent discount rate.

\* 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, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>OPERATING REVENUES</b>				
Water consumption sales	\$ 4,545,280	\$ 4,545,280	\$ 4,547,322	\$ 2,042
<b>Total operating revenues</b>	<u>4,545,280</u>	<u>4,545,280</u>	<u>4,547,322</u>	<u>2,042</u>
<b>OPERATING EXPENSES</b>				
Salaries and benefits	1,231,179	1,231,179	1,211,133	20,046
Operations	<u>1,422,691</u>	<u>1,422,691</u>	<u>1,297,301</u>	<u>125,390</u>
<b>Total operating expenses</b>	<u>2,653,870</u>	<u>2,653,870</u>	<u>2,508,434</u>	<u>145,436</u>
Operating income before depreciation	1,891,410	1,891,410	2,038,888	147,478
Depreciation expense	<u>(1,481,512)</u>	<u>(1,481,512)</u>	<u>(1,495,621)</u>	<u>(14,109)</u>
<b>Operating income (loss)</b>	<u>409,898</u>	<u>409,898</u>	<u>543,267</u>	<u>133,369</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest earnings	64,135	64,135	106,168	42,033
Interest expense	(34,246)	(34,246)	(45,812)	(11,566)
Other revenue	-	-	23,337	23,337
Gain on sale of capital assets	<u>-</u>	<u>-</u>	<u>4,727</u>	<u>4,727</u>
<b>Total nonoperating revenues (expenses)</b>	<u>29,889</u>	<u>29,889</u>	<u>88,420</u>	<u>58,531</u>
<b>Change in net position</b>	<u>439,787</u>	<u>439,787</u>	<u>631,687</u>	<u>191,900</u>
<b>Net position, beginning of year</b>	<u>25,676,623</u>	<u>25,676,623</u>	<u>25,676,623</u>	<u>-</u>
<b>Net position, end of year</b>	<u>\$ 26,116,410</u>	<u>\$ 26,116,410</u>	<u>\$ 26,308,310</u>	<u>\$ 191,900</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, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>OPERATING REVENUES</b>				
Wastewater service charges	\$ 3,340,020	\$ 3,340,020	\$ 3,412,879	\$ 72,859
<b>Total operating revenues</b>	<u>3,340,020</u>	<u>3,340,020</u>	<u>3,412,879</u>	<u>72,859</u>
<b>OPERATING EXPENSES</b>				
Salaries and benefits	904,858	904,858	829,562	75,296
Operations	917,436	917,436	893,613	23,823
<b>Total operating expenses</b>	<u>1,822,294</u>	<u>1,822,294</u>	<u>1,723,175</u>	<u>99,119</u>
Operating income before depreciation	1,517,726	1,517,726	1,689,704	171,978
Depreciation expense	(669,621)	(669,621)	(684,448)	(14,827)
<b>Operating income</b>	<u>848,105</u>	<u>848,105</u>	<u>1,005,256</u>	<u>157,151</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest earnings	183,646	183,646	243,582	59,936
Interest expense	(136,501)	(136,501)	(135,004)	1,497
Other revenue	-	-	1,560	1,560
Gain on sale of capital assets	-	-	4,727	4,727
<b>Total nonoperating revenues (expenses)</b>	<u>47,145</u>	<u>47,145</u>	<u>114,865</u>	<u>67,720</u>
<b>Change in net position</b>	<u>895,250</u>	<u>895,250</u>	<u>1,120,121</u>	<u>224,871</u>
<b>Net position, beginning of year</b>	<u>18,956,279</u>	<u>18,956,279</u>	<u>18,956,279</u>	<u>-</u>
<b>Net position, end of year</b>	<u>\$ 19,851,529</u>	<u>\$ 19,851,529</u>	<u>\$ 20,076,400</u>	<u>\$ 224,871</u>

**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**

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A Worldwide Alliance of Independent  
Accounting, Law and Consulting Firms

*Independent Auditor's Report*

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

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, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 18, 2019.

**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.

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  
October 18, 2019