Helendale Community Services District Regular Board Meeting

26540 Vista Road, Suite C, Helendale, CA 92342

Thursday, December 3, 2020 at 6:30 PM

SPECIAL NOTICE OF TELECONFERENCE ACCESSIBILITY

Pursuant to the provisions of Executive Order N-29-20 issued by Governor Gavin Newsom in response to the COVID-19 pandemic and in an effort to prevent the spread of the virus, Helendale CSD will hold its board meeting via teleconference. The Helendale CSD Board of Directors will meet in person at the District Office located at 26540 Vista Rd. Suite C. Helendale, CA 92342. This meeting is open to the public via virtual interface and can be accessed by clicking on the link below.

https://attendee.gotowebinar.com/register/4455693216666014219

(Dial-in instructions will be provided after registering at the link above)

Call to Order - Pledge of Allegiance

1. Approval of Agenda

2. Public Participation

Anyone wishing to address any matter pertaining to District business listed on the agenda or not, may do so at this time. However, the Board of Directors may not take action on items that are not on the agenda. The public comment period may be limited to three (3) minutes per person. Any member wishing to make comments may do so by filling out the speaker's card at the following link: https://www.surveymonkey.com/r/HKGNLL8.
We request that all speaker's cards are filled out by 6:25 pm.

3. Consent Items

a. Approval of Minutes: November 19, 2020, Regular Board Meeting
b. Bills paid report
c. Directors Compensation and Expenses
d. October Financials

4. Reports

a. Directors' Reports
b. General Manager's Report

Regular Business:

5. Discussion Only Regarding COVID-19 Pandemic Update

6. Discussion and Possible Action Regarding Acceptance of 2020 Fiscal Year Audit

7. Discussion and Possible Action Regarding Adoption of a Resolution 2020-15: A Resolution of the Board of Directors of the Helendale Community Services District Approving a Debt Management Policy

8. Discussion and Possible Action Regarding Adoption of Resolution 2020-16: A Resolution Authorizing the Execution and Delivery of a Loan Agreement, and Authorizing and Directing Certain Actions in Connection with the Refinancing of a Prior Obligation

9. Discussion and Possible Action Regarding Approval of Additional Funds for the AMI Meter Rotation Program

Other Business

10. Requested items for next or future agendas (Directors and Staff only)

Closed Session

11. Conference with Real Property Negotiators (Government Code Section 54956.8)
Property: 26540 Vista Road, Ste C
District Negotiator: Kimberly Cox, General Manager
Negotiating Parties: Calvary Chapel, Helendale
Under Negotiation: Price and Terms of Payment

12. Report of Closed Session Items

13. Adjournment

Pursuant to Government Code Section 54954.2(a), any request for a disability-related modification or accommodation, including auxiliary aids or services, that is sought in order to participate in the above agendized public meeting should be directed to the District's General Manager's office at (760) 951-0006 at least 24 hours prior to said meeting. The regular session of the Board meeting will be recorded. Recordings of the Board meetings are kept for the Clerk of the Board's convenience. These recordings are not the official minutes of the Board meetings.

Other Business

10. Requested items for next or future agendas (Directors and Staff only)

Closed Session

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Helendale Community Services District

Date:	December 3, 2020
TO:	Board of Directors
FROM:	Kimberly Cox, General Manager
SUBJECT:	Agenda item #3 Consent Items

CONSENT ITEMS

a. Approval of Minutes: Regular Board Meeting of November 19, 2020
b. Bills Paid Report
c. Directors Expenses
d. October Financials

Helendale Community Services District

Date:	December 3, 2020
TO:	Board of Directors
FROM:	Kimberly Cox, General Manager
BY:	Cheryl Vermette
SUBJECT:	Agenda item #3a Minutes from Board meetings November 19, 2020

Minutes of the Helendale Community Services District
BOARD OF DIRECTORS MEETING
November 19, 2020 at 6:30 PM
26540 Vista Road, Suite C. Helendale, CA 92342

Pursuant to the provisions of Executive Order N-29-20 issued by Governor Gavin Newsom in response to the COVID-19 pandemic and in an effort to prevent the spread of the virus, Public Participation in Helendale CSD's Board Meeting was held via teleconference.

Board Members Roll Call:
Present: President Ron Clark; Vice President Tim Smith; Secretary, Sandy Haas, Director Craig Schneider; Director Henry Spiller

Staff Members Present:
Kimberly Cox, General Manager
Cheryl Vermette, Program Coordinator

Members of the Public:
There were no members of the public present via the teleconference link.

Call to Order and Pledge of Allegiance
The meeting was called to order at 6:30 pm by President Ron Clark, after which the Pledge of Allegiance was recited.

1. **Approval of Agenda**
   Action: A motion was made by Director Schneider to approve the agenda as presented. The motion was seconded by Director Haas.
   Vote: Motion carried by the following vote: 5 Yes; 0 No

2. **Public Participation**
   None

3. **Consent Items**
   a. Approval of Minutes: November 5, 2020, Regular Board Meeting
   b. Director's Compensation and Expenses

4. **Reports**
   a. Director's Reports
   None

   b. General Managers Report
   General Manager Cox gave an update on COVID. CDPH and Governor Newsom issued a curfew which applies to all Purple Tier counties. The curfew impacts gatherings with anyone other than immediate household members, begins on 11/21/2020 and goes through 12/21/2020. The curfew is between 10:00 pm and 5:00 am and does not apply to homeless people. She presented map showing the current tier assignments for the State as of November 16, 2020. She also showed the changes in tier assignments from 10/6/2020 to current.

General Manager Cox gave the Wastewater Report. Update on PFAS: after calling various labs and getting quotes, we are able to achieve compliance on the Board Order for $5,676, well under the initial $40,000 estimate. Babcock Labs is certified to analyze our samples for PFAS at the most reasonable price. Atlas Environmental did the work plan for $1,700 which has already been submitted to Lahontan and uploaded to GeoTracker. A contractor removed weeds at the treatment plant. Staff cleaned primary clarifier #1 to assess a faulty liner. Staff will be cutting out the bad lining and coating it with Red Guard to protect the concrete. Staff found that one of the Smithson lift station pumps seized up and called Flo-Services to inspect. They will be taking the pump back to the shop to breakdown and inspect. It is possibly a bearing issue which would be under warranty.
General Manager Cox also presented the Administration Update. There were 40 account transfers in the month of October. Eleven credit checks were processed, 7 were approved and 4 were denied.

Workshop

5. Mandatory Sexual Harassment Training for Board of Directors per SB 1343
Discussion: The Board attended the mandatory Sexual Harassment Training.

Other Business

6. Requested items for next or future agendas (Directors and Staff only)

7. Adjournment
Action: President Ron Clark adjourned the meeting at 8:38 pm

Submitted by:	Approved By:
______________________________	______________________________
Ron Clark, President	Sandy Haas, Secretary

The Board actions represent decisions of the Helendale Community Services District Board of Directors. A digital voice recording and copy of the PowerPoint presentation are available upon request at the Helendale CSD office.

Helendale Community Services District

Date:	December 03, 2020
TO:	Board of Directors
FROM:	Kimberly Cox, General Manager
BY:	Sharon Kreinop, Senior Account Specialist
SUBJECT:	Agenda item #3 b
	Consent Items: Updated Bills Paid and Presented for Approval

STAFF RECOMMENDATION:
Updated Report Only. Receive and File

STAFF REPORT:
Staff issued 54 checks and 26 EFT's totaling $340,779.27

Total Cash Available:	11/30/20	10/29/20
Cash	$5,648,236.09	$5,567,339.23
Checks/EFT's Issues	$ 340,779.27	$ 145,802.77

Investment Report
The Investment Report shows the status of the invested District funds. The current interest rate is 0.05% for LAIF and 0.15% for the CBB Sweep Account for Sep 2020. Interest earned in October 2020 on CBB Sweep Account is $661.78

Helendale CSD

Bills Paid and Presented for Approval

Transaction Detail

Issued Date Range: 10/29/2020 - 11/30/2020

Cleared Date Range: -

Issued Date	Number	Description	Amount	Type	Module
Bank Account: 251229590 - CBB Checking					
10/30/2020	23645	California State Disbursement Unit	-230.76	Check	Accounts Payable
11/05/2020	23646	Apple Valley Communications, Inc	-225.00	Check	Accounts Payable
11/05/2020	23647	AVCOM Services Inc.	-98.50	Check	Accounts Payable
11/05/2020	23648	Bank of America	-3,151.22	Check	Accounts Payable
11/05/2020	23649	Burrtec Waste Industries Inc	-124.18	Check	Accounts Payable
11/05/2020	23650	County of San Bernardino	-140.00	Check	Accounts Payable
11/05/2020	23651	G.A. Osborne Pipe & Supply Inc.	-1,086.91	Check	Accounts Payable
11/05/2020	23652	Kimberly Cox	-695.61	Check	Accounts Payable
11/05/2020	23653	Mobile Occupational Services, Inc.	-90.00	Check	Accounts Payable
11/05/2020	23654	On Line	-31.35	Check	Accounts Payable
11/05/2020	23655	O'Reilly Auto Parts	-1,270.09	Check	Accounts Payable
11/05/2020	23656	Uline	-161.53	Check	Accounts Payable
11/05/2020	23657	United Rentals, Inc.	-150.86	Check	Accounts Payable
11/05/2020	23658	USA of So. California	-89.20	Check	Accounts Payable
11/05/2020	23659	Fedak & Brown LLP	-2,264.00	Check	Accounts Payable
11/05/2020	23660	High Desert Underground Inc	-1,000.00	Check	Accounts Payable
11/09/2020	23661	CHICHI ZHENG	-220.38	Check	Utility Billing
11/09/2020	23662	WILLARD A. NEWMAN JR TRUST	-127.84	Check	Utility Billing
11/09/2020	23663	DALE MISKO	-145.46	Check	Utility Billing
11/12/2020	23664	DAVE CLAUSEN	-89.73	Check	Utility Billing
11/12/2020	23665	LANXING INVESTMENTS LLC	-100.74	Check	Utility Billing
11/12/2020	23666	TIMIOS TITLE	-134.26	Check	Utility Billing
11/12/2020	23667	California State Disbursement Unit	-230.76	Check	Accounts Payable
11/13/2020	23668	Burrtec Waste Industries Inc	-192.71	Check	Accounts Payable
11/13/2020	23669	Burrtec Waste Industries Inc	-812.62	Check	Accounts Payable
11/13/2020	23670	Choice Builder	-1,104.03	Check	Accounts Payable
11/13/2020	23671	Frontier Communications	-128.23	Check	Accounts Payable
11/13/2020	23672	Frontier Communications	-48.82	Check	Accounts Payable
11/13/2020	23673	K. Matthew Brown Consulting	-1,000.00	Check	Accounts Payable
11/13/2020	23674	USA Blue Book	-221.57	Check	Accounts Payable
11/13/2020	23675	Virginia Woolley	-1,000.00	Check	Accounts Payable
11/17/2020	23676	Aqua-Metric Sales Co.	-13,064.70	Check	Accounts Payable
11/17/2020	23677	Burrtec Waste Industries, Inc.	-46,118.60	Check	Accounts Payable
11/17/2020	23678	Cardmember Services	-3,587.00	Check	Accounts Payable
11/17/2020	23679	Infosend, Inc	-1,880.99	Check	Accounts Payable
11/17/2020	23680	Lowe's Inc.	-4,386.51	Check	Accounts Payable
11/18/2020	23681	Burrtec Waste Industries, Inc.	-11,748.62	Check	Accounts Payable
11/18/2020	23682	Harbor Freight Tools	-355.27	Check	Accounts Payable
11/18/2020	23683	Home Depot Credit Services	-330.40	Check	Accounts Payable
11/18/2020	23684	J.C. Himmelrick, Inc.	-1,600.00	Check	Accounts Payable
11/18/2020	23685	Sierra Analytical Labs, Inc	-2,190.00	Check	Accounts Payable
11/18/2020	23686	USA Blue Book	-84.27	Check	Accounts Payable
11/23/2020	23687	TRI-MAR INVESTMENTS, LLC	-169.17	Check	Utility Billing
11/23/2020	23688	FIRST AMERICAN TITLE COMPANY	-308.35	Check	Utility Billing
11/25/2020	23689	California Park & Recreation Society	-555.00	Check	Accounts Payable
11/25/2020	23690	Cashier, DPR	-120.00	Check	Accounts Payable

Bank Transaction Report

Issued Date	Number	Description	Amount	Type	Module
11/25/2020	23691	County of San Bernardino, Solid Waste Mgmt. Div.	-875.11	Check	Accounts Payable
11/25/2020	23692	Frontier Communications	-64.61	Check	Accounts Payable
11/25/2020	23693	TASC-Client Invoices	-1,011.20	Check	Accounts Payable
11/25/2020	23694	Tyler Technologies, Inc.	-625.41	Check	Accounts Payable
11/25/2020	23695	UIA Ultimate Internet Access, Inc	-785.10	Check	Accounts Payable
11/25/2020	23696	Verizon Wireless	-659.29	Check	Accounts Payable
11/25/2020	23697	Verizon Wireless	-106.92	Check	Accounts Payable
11/25/2020	23698	California State Disbursement Unit	-230.76	Check	Accounts Payable
11/03/2020	EFT0003400	To record CalPERS Health Premium	-17,717.86	EFT	General Ledger
11/06/2020	EFT0003443	SW Gas Water Shop Acct 121-1498762-002	-11.00	EFT	General Ledger
11/06/2020	EFT0003444	SW Gas ACH 4-Plex 121-1498049-003	-118.66	EFT	General Ledger
11/06/2020	EFT0003445	SW Gas ACH WWTP 121-0319765-023	-25.00	EFT	General Ledger
11/06/2020	EFT0003446	SW Gas Community Center Acct 121-0319591-025	-12.20	EFT	General Ledger
11/02/2020	EFT0003447	SCE ACH Well 6,7,8,9 & 2 Acct 2-28-988-7853	-16.99	EFT	General Ledger
11/02/2020	EFT0003448	SCE ACH WWTP & Wells 3,4 & 1 Acct 2-29-212-2157	-20,892.73	EFT	General Ledger
11/02/2020	EFT0003450	SCE ACH Community Center Acct 2-34-148-8526	-2,111.84	EFT	General Ledger
11/09/2020	EFT0003451	SCE ACH Water Shop Acct 2-30-765-8245	-89.20	EFT	General Ledger
11/09/2020	EFT0003452	SCE ACH 4-Plex Acct 2-35-118-6267	-236.73	EFT	General Ledger
10/30/2020	EFT0003455	CalPERS 457 Pmt PPE 10/25/20	-3,681.72	EFT	General Ledger
11/20/2020	EFT0003461	SCE ACH Park Wellheads Acct 2-30-765-6355	-150.28	EFT	General Ledger
11/20/2020	EFT0003462	SCE ACH Street Lighting Acct 2-29-286-3263	-1,604.13	EFT	General Ledger
11/05/2020	EFT0003463	CalPERS Classic Pmt PPE 10/11/20	-6,902.86	EFT	General Ledger
11/05/2020	EFT0003465	CalPERS PEPRA Pmt PPE 10/11/20	-1,541.02	EFT	General Ledger
11/20/2020	EFT0003466	CalPERS Classic Pmt PPE 10/25/20	-6,902.86	EFT	General Ledger
11/20/2020	EFT0003467	CalPERS PEPRA Pmt PPE 10/25/20	-1,551.91	EFT	General Ledger
11/25/2020	EFT0003472	SCE ACH Sod Farm Acct 2-29-474-8751	-702.47	EFT	General Ledger
11/13/2020	EFT0003473	CalPERS 457 Pmt PPE	-3,681.72	EFT	General Ledger
11/10/2020	EFT0003475	4th Quartr Pmt Oct 2020 Sales	-2,059.36	EFT	General Ledger
11/18/2020	EFT0003476	To record Outgoing Wire to Commnwealth Land Title	-160,415.00	EFT	General Ledger
11/02/2020	EFT0003477	To record EVO Rec Desk CC Fees 22567	-97.00	EFT	General Ledger
11/02/2020	EFT0003478	To record EVO Thrift Store CC Fees 23099	-370.63	EFT	General Ledger
11/02/2020	EFT0003479	To record Global Merchant Fees Acct 4366 -	-368.62	EFT	General Ledger
11/02/2020	EFT0003480	To record Global Merchant Fees Acct 4367 -	-1,516.77	EFT	General Ledger
11/17/2020	EFT0003481	To record Tasc Flex Claim Pmt - PPE	-777.07	EFT	General Ledger
			Bank Account 251229590 Total: (80)		**-340,779.27**
				Report Total: (80)	**-340,779.27**

Helendale Community Services District

Date: December 3, 2020
TO: Board of Directors
FROM: Kimberly Cox, General Manager
BY: Cheryl Vermette
SUBJECT: Agenda item #3c
Presentation of Directors' Expenses

STAFF REPORT:

Attached for the Board's consideration is a spreadsheet that outlines Director's expenses paid for the current pay period.

Director's Expenses
Pay Period Ending November 22, 2020

	Name:	Sandy Haas	
	Date	**Activity**	**Rate**
1	11/12/2020	Meeting with General Manager	$137.50
2	11/16/2020	Discussion with General Manager	$137.50
3	11/17/2020	Park and Recreation Committee Meeting	$137.50
4	11/18/2020	Tri Communities Luncheon	$137.50
5	11/19/2020	Regular Board Meeting	$137.50
		Miles	$0.00
		Meals	$23.00
		Lodging	$0.00
		Other	$0.00
	Total this Pay Period		$710.50

	Name:	Tim Smith	
	Date	**Activity**	**Rate**
1	11/19/2020	Regular Board Meeting	$137.50
		Miles	$0.00
		Meals	$0.00
		Lodging	$0.00
		Other	$0.00
	Total this Pay Period		$137.50

	Name:	Henry Spiller	
	Date	**Activity**	**Rate**
1	11/3/2020	Meeting with General Manager	$137.50
2	11/4/2020	Assisted with EBT Booth at Farmers Market	$137.50
3	11/5/2020	Regular Board Meeting	$137.50
4	11/7/2020	Clean Up Day	$137.50
5	11/11/2020	Assisted with EBT Booth at Farmers Market	$137.50
6	11/17/2020	Park and Rec Committee Meeting	$137.50
7	11/18/2020	Assisted with EBT Booth at Farmers Market	$137.50
8	11/19/2020	Regular Board Meeting	$137.50
		Miles	$0.00
		Meals	$0.00
		Lodging	$0.00
		Other	$0.00
	Total this Pay Period		$1,100.00

	Name:	Craig Schneider	
	Date	**Activity**	**Rate**
1	10/27/2020	Special Board Meeting	$137.50
2	10/28/2020	Assisted with Park Booth at Farmers Market	$137.50
3	11/2/2020	Meeting with General Manager	$137.50
4	11/5/2020	Regular Board Meeting	$137.50
5	11/16/2020	Meeting with General Manager	$137.50
6	11/17/2020	Park and Rec Committee Meeting	$137.50
7	11/19/2020	Regular Board Meeting	$137.50
		Miles	$0.00
		Meals	$0.00
		Lodging	$0.00
		Other	$0.00
	Total this Pay Period		$962.50

Helendale Community Services District

Date:	December 3, 2020
TO:	Board of Directors
FROM:	Kimberly Cox, General Manager
SUBJECT:	Agenda item #3d October Financials

STAFF REPORT:

Attached for the Board's consideration is the financial report for October.

Helendale CSD
Statement of Revenues and Expenses - Water
As of October 31, 2020
(Unaudited)

		Oct. 2020	YTD Actual	Budget	% Budget	PYTD
1	*Operating Revenues*					
2	Meter Charges	$ 133,375	$ 533,074	$ 1,578,873	34%	$ 495,141
3	Water Sales	109,122	416,940	862,015	48%	392,981
4	Standby Charges	-	-	24,400	0%	171
5	Other Operating Revenue	6,679	29,313	86,232	34%	37,919
6	**Total Operating Revenues**	**249,176**	**979,327**	**2,551,520**	**38%**	**926,212**
7	**Non-Operating Revenues**					
8	Grant Revenue	-	16,000	37,500	43%	74,723
9	Miscellaneous Income (Expense)	-	-	1,000	0%	-
10	**Total Non-Operating Revenues**	**-**	**16,000**	**38,500**	**42%**	**74,723**
11	***Total Revenues***	**249,176**	**995,327**	**2,590,020**	**38%**	**1,000,935**
12	*Expenses*					
13	**Salaries & Benefits**					
14	Salaries	24,574	104,573	330,774	32%	114,179
15	Benefits	5,473	41,634	123,793	34%	61,570
16	**Total Salaries & Benefits**	**30,047**	**146,207**	**454,567**	**32%**	**175,749**
17	**Transmission & Distribution**					
18	Contractual Services	295	30,903	39,050	79%	11,664
19	Power	552	49,760	124,106	40%	50,794
20	Operations & Maintenance	9,516	29,368	131,682	22%	28,644
21	Rent/Lease Expense	800	3,830	10,860	35%	3,200
22	Permits & Fees	2,576	5,449	25,600	21%	4,066
23	**Total T&D**	**13,739**	**119,309**	**331,298**	**36%**	**98,368**
24	**General & Administrative**					
25	Utilities	278	1,525	5,436	28%	1,663
26	Office & Other Expenses	109	7,551	3,015	250%	249
27	Admin Allocation	46,517	186,069	558,207	33%	163,837
28	**Total G&A**	**46,904**	**195,146**	**566,658**	**34%**	**165,749**
29	Debt Service	-	158,579	388,734	41%	169,787
30	***Total Expenses***	**90,691**	**619,241**	**1,741,257**	**36%**	**609,653**
31	**Net Income (Loss) Before Capital**	**158,485**	**376,086**	**848,763**	**44%**	**391,282**
32	Capital Expenses	(7,900)	(77,228)	(2,023,667)	4%	(250,568)
33	**Net Income (Loss) After Capital**	**$ 150,585**	**$ 298,858**	**$ (1,174,904)**		**$ 140,714**

Helendale CSD

Financial Statement Analysis

For the Month Ended October 31, 2020 – 33% of Fiscal Year

Fund 01-Water Revenues and Expenses

Line 2 Meter Charges: Meter Charges are the fixed monthly charge for water service. Year to date (YTD) meter charges is trending on budget.

Line 3 Water Sales: Water Sales reflects water consumption and is trending above budget due to higher consumption in the summer months.

Line 4 Standby Charges: Standby Charges includes special assessment standby charges for the current & prior years, and delinquent standby penalties. YTD can trend over/under budget due to timing of assessment receipts and unbudgeted receipts of delinquent assessments. The majority of these fees are collected in December and April.

Line 5 Other Operating Revenue: Other Operating Revenue includes permit & inspection charges, connection fees, meter installation fees, other fees/charges and mechanic service reimbursements. Connection and meter installation fees are budgeted conservatively due to the unexpected nature of these fees. YTD is trending on budget at 34%.

Line 8 Grant Revenue: YTD balance consists of a $16.0K award for MWA Meter Replacement Program. Budget for this account consists of the remaining $37.5K grant from the Bureau of Reclamation for installation of AMI smart meters.

Line 9 Miscellaneous Income (Expense): Miscellaneous Income includes gain or loss on sale of assets, the Enel X Demand Response Program and other miscellaneous income. YTD can trend over/under budget due to timing of receipts.

Line 14 Salaries: Salaries for water employees and portion of mechanic's salary. YTD is trending on budget.

Line 15 Benefits: Benefits includes health insurance, CalPERS retirement, worker's compensation insurance, payroll taxes, and employee education and trainings. YTD is trending on budget.

Line 18 Contractual Services: Contract Services includes lab testing, engineering, GIS support & other contract services. YTD is over budget at 79% due to invoices for annual GIS Software $4.8K and $9.1K to Tyler Technologies for meter data sync.

Line 19 Power: This account includes electricity used for transmission & distribution. YTD is trending over budget at 40% due to increased demand.

Line 20 Operations & Maintenance: This line includes operations & maintenance expense, vehicle maintenance and vehicle fuel. YTD can trend over/under budget due to timing of work performed.

Line 21 Rent/Lease Expense: Rent/Lease Expense includes rental costs for the water shop and Bureau of Land Management LM tank sites.

Line 22 Permits & Fees: Includes all water permits, miscellaneous fees, and Watermaster fees. YTD can trend over/under budget due to timing of payments.

Line 25 Utilities (G&A): Utilities includes gas and telephone expenses. YTD is trending under budget at 28%.

Line 26 Office & Other Expenses: Office & Other Expenses includes mileage/travel reimbursements, office supplies, water conservation program, and dues & subscriptions. YTD can trend over/under budget due to timing of payments. YTD is over budget due to pay-off penalties for the CNB Loan #11-007 ($6.7K).

Line 27 Admin Allocation: This is the monthly distribution of the budgeted Administration fund (Fund 10) expenses to the enterprise funds.

Line 29 Debt Service: Debt Service includes interest & principal payments on outstanding debt. Payments are made quarterly in September, December, March and June.

Line 32 Capital Expenses: YTD balance in capital expenses includes the following:

- $2.4K - Well Exploration Test Holes
- $16.9K - AMI Meters
- $50.0K – Water Rights Purchase
- $7.9K – Real property Acquisition

Helendale CSD
Statement of Revenues and Expenses - Sewer
As of October 31, 2020
(Unaudited)

		Oct. 2020	YTD Actual	Budget	% Budget	PYTD
1	***Operating Revenues***					
2	Sewer Charges	$ 106,506	$ 426,672	$ 1,279,029	33%	$ 426,314
3	Standby Charges	-	-	21,350	0%	1,003
4	Other Fees & Charges	1,299	8,609	15,438	56%	9,285
5	Other Income/(Expense)	-	-	-	0%	-
6	***Total Revenues***	**107,805**	**435,280**	**1,315,817**	**33%**	**436,601**
7	***Expenses***					
8	**Salaries & Benefits**					
9	Salaries	20,147	85,745	258,397	33%	79,899
10	Benefits	4,941	34,815	97,812	36%	50,841
11	**Total Salaries & Benefits**	**25,088**	**120,559**	**356,209**	**34%**	**130,740**
12	**Sewer Operations**					
13	Contractual Services	100	9,646	77,400	12%	15,724
14	Power	1,064	23,150	79,750	29%	30,113
15	Operations & Maintenance	2,382	11,885	63,363	19%	16,331
16	Permits & Fees	-	3,976	27,617	14%	4,084
17	**Total Sewer Operations**	**3,545**	**48,657**	**248,130**	**20%**	**66,252**
18	**General & Administrative**					
19	Utilities	432	1,504	5,616	27%	1,458
20	Office & Other Expenses	617	3,923	7,393	53%	1,449
21	Admin Allocation	45,587	182,348	547,043	33%	160,560
22	**Total G&A**	**46,636**	**187,775**	**560,052**	**34%**	**163,467**
23	Debt Service	-	-	75,042	0%	-
24	***Total Expenses***	**75,269**	**356,991**	**1,239,433**	**29%**	**360,459**
25	**Net Income (Loss) Before Capital**	**32,536**	**78,290**	**76,384**	**102%**	**76,142**
26	Capital Expenses	(2,401)	(94,866)	(1,367,000)	7%	(48,421)
27	**Net Income (Loss) After Capital**	**$ 30,135**	**$ (16,576)**	**$ (1,290,616)**	**1.3%**	**$ 27,721**

Fund 02 - Sewer Revenues and Expenses

Line 2 Sewer Charges: YTD is trending on budget at 33%.

Line 3 Standby Charges: Standby Charges includes special assessment standby charges for the current & prior years, and delinquent standby penalties. YTD can trend over/under budget due to timing of assessment and unbudgeted receipts of delinquent assessments. The majority of these fees are collected in December and April.

Line 4 Other Fees & Charges: Other Fees & Charges includes permit & inspection charges, connection fees, other fees and charges and delinquent charges on fees. Connection and permit fees are budgeted conservatively due to the unexpected nature of these fees. YTD is over budget at 56% due to connection fees received in August.

Line 5 Other Income/(Expense): Other Income includes gain or loss on sale of assets and other miscellaneous income.

Line 9 Salaries: Salaries is for all sewer employees. YTD is trending on budget.

Line 10 Benefits: Benefits include employee insurance, PERS retirement, workers compensation, payroll taxes, and education & training. YTD is over budget at 36% due to the annual worker's compensation renewal which came in higher than budgeted for due to the reclassification of some employees.

Line 13 Contractual Services: Contract Services include lab testing, engineering, GIS support & other contractual services. YTD can trend over/under budget due to timing of payments.

Line 14 Power: YTD is trending near target at 29%.

Line 15 Operations & Maintenance: This account includes compost disposal, vehicle maintenance, vehicle fuel, uniforms, small tools and salaries for mechanics. This category will trend under/ over budget depending on timing of purchases and work performed. YTD is under budget at 19%.

Line 16 Permits and Fees: This line accounts for all annual permits and fees paid to the state. YTD can trend over/under budget due to timing of payments. YTD is under budget at 14%.

Line 19 Utilities (G&A): Utilities includes gas and telephone expenses. YTD is trending slightly under budget at 27%.

Line 20 Office & Other Expenses: Office & Other Expenses includes mileage/travel reimbursements, office supplies, water conservation program, and dues & subscriptions. YTD can trend over/under budget due to timing of payments. YTD is currently over budget at 53%.

Line 21 Admin Allocation: This is the monthly distribution of the budgeted Administration fund (fund 10) expenses to the enterprise funds.

Line 23 Debt Service: Debt Service includes interest & principal payments on outstanding debt. Payments are made twice a year in December and June.

Line 26 Capital Expenses: YTD balance in capital expense includes the following:

- $76.3K Secondary Irrigation Pump Project
- $18.6K Manhole Cutter Purchase

Helendale CSD
Statement of Revenues and Expenses - Recycling Center
As of October 31, 2020
(Unaudited)

	Oct. 2020	YTD Actual	Budget	% Budget	PYTD
1 *Operating Revenues*					
2 Retail Sales	$ 28,632	$ 102,828	$ 264,000	39%	$ 97,615
3 Donations	-	-	-	0%	-
4 Board Discretionary Revenue	-	-	(84,380)	0%	-
5 ***Total Revenues***	**28,632**	**102,828**	**179,620**	**57%**	**97,615**
6 *Expenses*					
7 **Salaries & Benefits**					
8 Salaries	8,157	32,021	136,326	23%	42,269
9 Benefits	1,224	5,150	16,070	32%	7,701
10 **Total Salaries & Benefits**	**9,381**	**37,170**	**152,396**	**24%**	**49,970**
11 **Recycling Center Operations**					
12 Contractual Services	-	-	4,300	0%	-
13 Operations & Maintenance	624	3,468	11,300	31%	4,924
14 **Total Recycling Center Operations**	**624**	**3,468**	**15,600**	**22%**	**4,924**
15 **General & Administrative**					
16 Utilities	599	2,864	8,124	35%	4,457
17 Office & Other Expenses	297	1,134	3,500	32%	3,648
18 **Total G&A**	**896**	**3,998**	**11,624**	**34%**	**8,106**
19 ***Total Expenses***	**10,901**	**44,636**	**179,620**	**25%**	**62,999**
20 **Net Income (Loss) Before Capital**	**17,731**	**58,192**	**-**		**34,616**
21 Capital Expenses	-	-	-	0%	10,736
22 **Net Income (Loss) After Capital**	**$ 17,731**	**$ 58,192**	**$ -**	**0%**	**$ 23,880**

03-Recycling Center Revenues and Expenses

Line 2 Retail Sales: Retail sales include sales revenues from the Thrift Store. YTD is trending over budget at 39%.

Line 3 Donations: Donations is not budgeted due to the unexpected nature of these revenues.

Line 4 Board Discretionary Revenue: This line shows the transfer of net cash from the Recycling Center (fund 03) to the Parks & Recreation Fund (fund 05). This transfer is done at year end for the audit.

Line 8 Salaries: Salaries for all recycling center employees, which are all part-time. YTD is trending below budget at 23% due to thrift store shutdown in the early part of the year due to COVID-19.

Line 9 Benefits: Benefits include employee insurance, workers compensation, payroll taxes, and education & training. Benefits should be trending along with line 8 salaries, however due to increased unemployment expense YTD is at 32% of budget.

Line 12 Contractual Services: Contractual Services includes software support and other contract services. YTD can trend over/under budget due to timing of payments.

Line 13 Operations & Maintenance: Operations & Maintenance includes vehicle maintenance, vehicle fuel, operating supplies and uniforms. YTD is on budget but can trend over/under budget due to timing of work performed and payments.

Line 16 Utilities (G&A): Utilities includes electric and telephone expenses. YTD is trending slightly over budget at 35%.

Line 17 Office & Other Expenses: Office & Other Expenses includes advertising, bank charges and other miscellaneous expenses. YTD is on budget but can trend over/under budget due to timing of payments.

Line 20 Net Income: Net income in the Recycling Center is moved to Parks & Recreation fund (fund 5) at year end for the audit through Board Discretionary Revenue.

Helendale CSD
Statement of Revenues and Expenses - Property Rental
As of October 31, 2020
(Unaudited)

	Oct. 2020	YTD Actual	Budget	% Budget	PYTD
1 ***Operating Revenues***					
2 Property Rental Revenues	$ 10,725	$ 42,842	$ 128,280	33%	$ 41,965
3 Other Income	-	135	200	68%	-
4 Board Discretionary Revenue	-	-	-	0%	-
5 ***Total Revenues***	**10,725**	**42,977**	**128,480**	**33%**	**41,965**
6 ***Expenses***					
7 Contractual Services	-	-	5,000	0%	200
8 Utilities	1,521	1,535	10,111	15%	2,432
9 Operations & Maintenance	4,846	8,333	6,000	139%	1,098
10 Debt Service	-	-	85,882	0%	-
11 ***Total Expenses***	**6,367**	**9,868**	**106,993**	**9%**	**3,730**
12 **Net Income (Loss)**	**$ 4,358**	**$ 33,109**	**$ 21,487**	**154%**	**$ 38,235**

04-Property Rental Revenues and Expenses

Line 2 Property Rental Revenues: Property Rentals is revenue from 15302 Smithson and 15425 Wild Road properties. YTD is trending on budget.

Line 3 Other Income: Other Income includes penalties and other miscellaneous Income; due to the unexpected nature of these revenues these accounts are budgeted conservatively. YTD is over budget at 68% due to penalties charged in September.

Line 4 Board Discretionary Revenue: This line shows the transfer of net cash from the Property Rental fund (fund 04) to Parks & Recreation fund (fund 05). This entry will be done at year-end for the audit.

Line 7 Contractual Services: Contractual Services includes contractor and handyman expenses for installation of appliances, drywall repair, roofing or plumbing repairs. YTD can trend over/under budget due to timing of payments.

Line 8 Utilities: Utilities includes electric & gas expense for the rental properties. YTD is under budget at 15%

Line 9 Operations & Maintenance: Operations & Maintenance includes maintenance and other costs relating to the rental properties. YTD can trend over/under budget due to timing of payments. YTD is over budget due to $3K in A/C maintenance for Unit A in July and $4.7K A/C system install for Unit B in October.

Line 10 Debt Service: Debt Service includes interest and principal payments on outstanding debt, paid in December and June.

Line 12 Net Income: Net income in the Property Rental fund (fund 04) is moved to the Parks & Recreation fund (fund 05) through Board discretionary revenue at year-end for the audit.

Helendale CSD
Statement of Revenues and Expenses - Parks & Recreation
As of October 31, 2020
(Unaudited)

		Oct. 2020	YTD Actual	Budget	% Budget	PYTD
1	***Operating Revenues***					
2	Program Fees	$ 569	$ 2,815	$ 27,800	10%	$ 13,259
3	Property Taxes	1,552	6,208	17,160	36%	5,895
4	Donations & Sponsorships	73	1,773	10,790	16%	5,479
5	Rental Income	1,800	8,813	40,100	22%	10,970
6	Developer Impact Fees	-	1,720	-	0%	1,720
7	Grants	-	370	-	0%	-
8	Interfund Transfer Out/(In)	(3,508)	(14,033)	(42,100)	33%	-
9	Board Discretionary Revenue	17,753	71,017	417,004	17%	62,625
10	***Total Revenues***	**18,238**	**78,683**	**470,754**	**17%**	**99,948**
11	***Expenses***					
12	**Salaries & Benefits**					
13	Salaries	6,750	29,204	87,564	33%	14,801
14	Benefits	1,802	12,478	43,903	28%	15,106
15	**Total Salaries & Benefits**	**8,552**	**41,682**	**131,467**	**32%**	**29,907**
16	Program Expense	5,112	10,821	71,439	15%	25,643
17	Contractual Services	-	5,185	12,560	41%	8,768
18	Utilities	8,885	11,440	56,301	20%	10,577
19	Operations & Maintenance	304	8,224	24,216	34%	12,220
20	Permits & Fees	-	-	5,338	0%	-
21	Grant Expense	-	-	-	0%	-
22	Other Expenses	2	7,086	3,105	228%	620
23	Debt Service	-	9,132	40,679	22%	20,340
24	***Total Expenses***	**22,854**	**93,570**	**345,106**	**27%**	**108,075**
25	**Net Income (Loss) Before Capital**	**(4,616)**	**(14,887)**	**125,648**		**(8,127)**
26	Capital Expenses	-	(11,777)	(135,000)	9%	(32,140)
27	**Net Income (Loss) After Capital**	**$ (4,616)**	**$ (26,664)**	**$ (9,352)**	**285%**	**$ (40,267)**

05-Parks & Recreation Revenues and Expenses

Line 2 Program Fees: Program Fees include recreation program fees, basketball league fees, youth soccer league fees and farmers market revenue. YTD is trending under budget at 10% due to lower than planned activity due to Covid-19 restrictions.

Line 3 Property Taxes: Property taxes accounts for the transfer of property taxes for streetlight utility expenses. YTD is trending over budget at 36%.

Line 4 Donations & Sponsorships: This account includes concert in the park sponsorships, event sponsorships and other donations/sponsorships. YTD can trend over/under budget due to timing and nature of donations & sponsorships received.

Line 5 Rental Income: Rental Income includes rental income from the water shop, storage for the recycling center, community center room rental, church rental, and gymnastics rental. YTD can trend over/under budget depending on needs and timing of rentals.

Line 6 Developer Impact Fees: Developer Impact Fees are not budgeted due to the unexpected nature of these revenues.

Line 8 Interfund Transfer Out/(In): This line shows the transfer of cash balance from the Recycling Center (fund 03) and Property Rental (fund 04) to the Parks & Recreation fund (fund 05). This entry will be done at year-end for the audit, when it is known exactly how much net income is available to transfer.

Line 9 Board Discretionary: Board Discretionary Revenue in September includes the following:

- Radio Tower Site Rent – $11,816
- Solid Waste Franchise Fees - $7,488
- Transfer Property Tax Revenue for Street Light Utilities – $(1,552)

Line 13 Salaries: Amounts for full and part-time Parks and Recreation employees. YTD is trending on budget at 33%.

Line 14 Benefits: Benefits includes health insurance, CalPERS retirement, worker's compensation insurance, payroll taxes, and employee education & trainings. YTD is trending under budget at 28%.

Line 16 Program Expense: Program Expense includes supplies and expenses for the youth soccer league, park, community center, farmers market and other programs. YTD is currently under budget at 15% but can trend over/under budget due to timing of payments.

Line 17 Contractual Services: Contractual Services includes software support and other contract services. YTD is over budget at 41% due to services from ALTEC Engineering for CEQA study for new park facilities ($5.0K).

Line 18 Utilities: Utilities includes gas and electric for parks and the community center, along with telephone & electricity for street lighting. YTD is trending under budget at 20%.

Line 19 Operations & Maintenance: Operations & Maintenance includes vehicle maintenance, small tools, vehicle fuel and building repair for the park and community center. YTD is trending on budget at 34%.

Line 20 Permits & fees: This account includes permit and inspection fees, along with San Bernardino county fees. YTD can trend over/under budget due to timing of payments.

Line 22 Other Expenses: Other expenses includes uniforms, printing costs, dues & subscriptions and bank charges. YTD is over budget due to pay-off penalties for the CNB Loan #11-007 ($6.7K).

Line 23 Debt Service: Debt Service includes interest & principal payments on outstanding debt. Debt Service payments are made quarterly in September, December, March and June.

Line 26 Capital Expenses: YTD balance in capital expense includes the following:

- $3.5K Park Signage
- $8.3K Park Fencing

Helendale CSD
Statement of Revenues and Expenses - Solid Waste Disposal
As of October 31, 2020
(Unaudited)

	Oct. 2020	YTD Actual	Budget	% Budget	PYTD
1 *Operating Revenues*					
2 Charges for Services	$ 46,247	$ 180,292	$ 582,089	31%	$ 166,540
3 Assessments & Fees	379	1,463	235,847	1%	647
4 Other Charges	626	2,261	11,000	21%	5,013
5 Board Discretionary Revenue	-	-	-	0%	-
6 ***Total Revenues***	**47,253**	**184,015**	**828,937**	**22%**	**172,200**
7 *Expenses*					
8 **Salaries & Benefits**					
9 Salaries	6,963	29,039	79,269	37%	23,439
10 Benefits	1,799	11,880	39,654	30%	15,486
11 **Total Salaries & Benefits**	**8,763**	**40,919**	**118,923**	**34%**	**38,925**
12 Contractual Services	45,790	136,540	540,117	25%	124,683
13 Disposal Fees	14,553	43,839	141,956	31%	43,955
14 Operations & Maintenance	48	1,011	4,215	24%	1,052
15 Other Operating Expenses	627	3,683	9,997	37%	89
16 Admin Allocation	930	3,721	11,164	33%	3,277
17 ***Total Expenses***	**70,711**	**229,713**	**826,373**	**28%**	**211,981**
18 **Net Income (Loss)**	**$ (23,458)**	**$ (45,698)**	**$ 2,564**		**$ (39,781)**

06-Solid Waste Disposal Revenues and Expenses

Line 2 Charges for Services – Solid Waste: This is for regular pick up of solid waste. YTD trending slightly under budget at 31%.

Line 3 Assessment & Fees: This account includes special assessments for refuse land use fees for current & prior years. YTD will trend under/over budget depending on timing of property tax receipts. The majority of these fees are collected in December and April.

Line 4 Other Charges: Other charges includes delinquent fees and penalties on delinquent taxes. YTD is under budget at 21% but can trend under/over budget depending upon timing of receipts.

Line 5 Board Discretionary Revenue: This is the amount that would be transferred in from discretionary funds if this fund operates at a deficit for the fiscal year. There was no deficit budgeted for current fiscal year.

Line 9 Salaries: This is the salaries for solid waste employees. YTD trending slightly higher than budget at 37%.

Line 10 Benefits: Benefits include employee insurance, CalPERS retirement, workers compensation, payroll taxes, and education & training. YTD is trending under budget at 30%.

Line 12 Contractual Services: Contractual Services include Burrtec fees and other miscellaneous contract services. YTD is trending under budget at 25% due to timing of Burrtec fees.

Line 13 Disposal Fees: Disposal Fees include San Bernardino County disposal fees and green waste disposal fees. YTD is trending under budget at 31% but can trend under/over budget depending upon time of year expenses are incurred.

Line 14 Operations & Maintenance: Operations & Maintenance includes vehicle maintenance, vehicle fuel, operating supplies and uniforms. YTD is trending under budget at 24% but can trend under/over budget depending upon time of year expenses are incurred.

Line 15 Other Operating Expenses: Other Operating Expenses include rent for park storage, telephone, postage, event expenses, public outreach, printing, small tools and bad debt expenses. YTD is currently over budget at 37% but can trend under/over budget depending upon time of year expenses are incurred.

Line 16 Admin Allocation: This is the monthly distribution of the budgeted Administration fund (Fund 10) expenses to the enterprise funds.

Helendale CSD
Statement of Revenues and Expenses - Administration
As of October 31, 2020
(Unaudited)

	Oct. 2020	YTD Actual	Budget	% Budget	PYTD
1 *Operating Revenues*					
2 Tower Rent	$ 11,816	$ 45,895	$ 150,420	31%	$ 41,191
3 Property Taxes	-	6	103,844	0%	2,229
4 Solid Waste Billing & Fees	13,200	53,906	149,129	36%	48,746
5 Fees & Charges	2,069	6,270	14,000	45%	6,858
6 Investments	664	3,501	45,000	8%	31,749
7 Other Income	222	1,873	6,800	28%	2,552
8 Board Discretionary Revenue	(19,305)	(77,226)	(332,624)	23%	(68,521)
9 ***Total Revenues***	**8,665**	**34,224**	**136,570**	**25%**	**64,804**
10 *Expenses*					
11 **Salaries & Benefits**					
12 Salaries	39,570	168,931	511,463	33%	162,450
13 Benefits	11,421	49,722	200,548	25%	55,263
14 Directors' Fees	5,304	19,948	89,000	22%	18,201
15 **Total Salaries & Benefits**	**56,296**	**238,600**	**801,011**	**30%**	**236,580**
16 Contractual Services	14,579	90,482	217,210	42%	128,795
17 Insurance	-	64,791	84,673	77%	54,678
18 Utilities	1,803	7,176	25,732	28%	6,970
19 Operations & Maintenance	62	300	5,216	6%	369
20 Permits & Fees	200	11,037	14,685	75%	6,162
21 Office & Other Expenses	11,618	28,100	54,122	52%	26,147
22 Admin Allocation	(93,035)	(372,138)	(1,116,414)	33%	(327,674)
23 ***Total Expenses***	**(8,477)**	**68,349**	**106,235**	**64%**	**132,028**
24 **Net Income (Loss)**	**$ 17,142**	**$ (34,124)**	**$ 30,335**		**$ (67,224)**

10-Administrative Revenues and Expenses

Line 2 Tower Rent: Tower Rent includes radio tower site rental fees. YTD is trending slightly under budget at 31%.

Line 3 Property Taxes: This account includes current & prior property tax and penalties. YTD will trend under/over budget depending on timing of property tax receipts. The majority of receipts are received in December and April.

Line 4 Solid Waste Billing & Fees: This includes franchise fees and billing for solid waste. YTD is trending over budget at 36%.

Line 5 Fees & Charges: Fees & Charges consists of credit card processing fees and other miscellaneous fees. YTD is trending over budget at 45% due to the large volume of credit card processing fees in September and October.

Line 6 Investments: This account includes investment income and unrealized gain or loss on investments. YTD is under budget at 8%.

Line 7 Other Income: Other Income includes recycling revenues and other miscellaneous income. YTD is trending under budget at 28%. This account can trend over/under budget due to timing of receipts.

Line 8 Board Discretionary Income: Board Discretionary Revenue includes the transfer of the following for Parks and Recreation fund (fund 05):

- Radio Tower Site Rent – $11,816 (line 2)
- Solid Waste Franchise Fees - $7,488 (part of line 4)

Line 12 Salaries: Salaries includes full time, part time & overtime for administrative employees. YTD trending on budget.

Line 13 Benefits: Benefits include employee insurance, CalPERS retirement, workers compensation, payroll taxes, employee benefit & morale and education & training. YTD is trending below budget at 25% due to timing of employee morale & training expenses.

Line 14 Directors' Fees: This category includes directors fees as well as directors training, seminars and mileage expense. YTD is trending under budget at 22%.

Line 16 Contractual Services: Contractual Services include software support, legal services, and auditing & accounting services. YTD is over budget at 42% due to higher than anticipated legal costs and timing of annual audit expenses.

Line 17 Insurance: This account includes both general and vehicle insurance expenses. YTD is over budget at 77% due to policy renewals occurring in July.

Line 18 Utilities: Utilities includes telephone and electricity expenses. YTD is trending under budget at 28%.

Line 19 Operations & Maintenance: Operations & Maintenance includes vehicle maintenance, vehicle fuel, mileage & travel reimbursement, uniforms, and equipment maintenance. This account can trend under/over budget depending upon time of year expenses are incurred.

Line 20 Permits & Fees: This category includes the annual LAFCO fees, the GFOA application fee for the budget award, and San Bernardino County fees. YTD is over budget at 75% due to July payment of the annual LAFCO fees.

Line 21 Office & Other Expense: Office & Other Expenses include board meeting supplies, public relations, community promotion, bank charges, office supplies, postage and dues & subscription. YTD is over budget at 52% due to timing of public notices fees occurring in July.

Line 22 Admin Allocation: This is the monthly distribution of the budgeted Administration fund (Fund 10) expenses to the enterprise funds.

Helendale CSD
Statement of Revenues and Expenses - Mojave Land Trust
As of October 31, 2020
(Unaudited)

		Oct. 2020	YTD Actual	PYTD
1	*Operating Revenues*			
2	Rental Income	$ 500	$ 7,000	$ 2,000
3	Delinquent Fee	-	-	-
4	***Total Revenues***	**500**	**7,000**	**2,000**
5	*Expenses*			
6	Repairs & Maintenance	-	-	-
7	Administrative Charges	150	600	600
8	***Total Expenses***	**150**	**600**	**600**
9	**Net Income (Loss)**	**$ 350**	**$ 6,400**	**$ 1,400**

50-Mojave Land Trust Revenues and Expenses

Note, this fund is not budgeted for since it is considered a "pass through" fund.

Line 2 Rental Income: Rental income consists of tenant rental. Current rental rate is $500 per month.

Line 3 Delinquent Fee: This line includes any late fees charged on rent payments.

Line 6 Repairs & Maintenance: Repairs & Maintenance expense in Mojave Land Trust (fund 50) are recorded against current maintenance deposits.

Line 7 Administrative Charges: Administrative charges includes a $150 monthly fee recorded as a revenue in Administrative fund (fund 10).

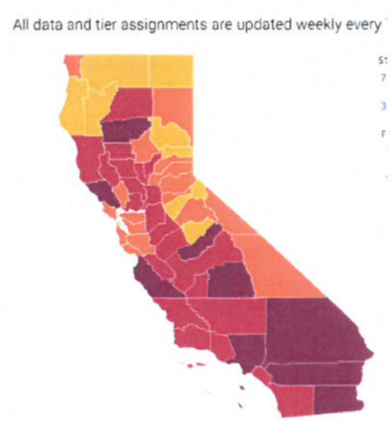
Helendale Community Services District

DATE:	December 3, 2020
TO:	Board of Directors
FROM:	Kimberly Cox, General Manager
SUBJECT:	Agenda item #5 Discussion Only Regarding COVID-19 Pandemic Update

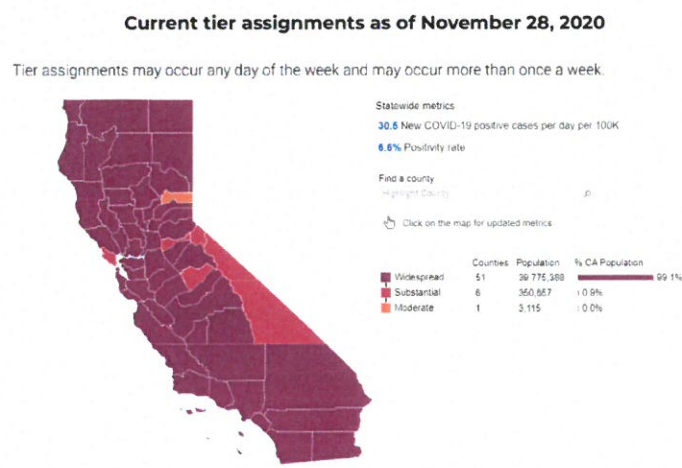
STAFF RECOMMENDATION:
Receive and file.

STAFF REPORT:
San Bernardino County continues in the Purple (Most restrictive) and the numbers have been getting worse.

Map from Week of 11/26



Map from Week of 11/28



Current "adjusted case rate" for our county is 28.5 up from 11.9 presented at the last meeting. County's actual cases per day per 100k is 57.1 up from 12.2. Positivity rate is 13.9% up from 6.6%. The State issues an updated report every Tuesday.

Several staff members have had tests or attempting to get tested and are finding that they have to wait several days for an available appointment. Test results are also lagging. If this trend continues, the District may need to split into teams again to protect the critical infrastructure work force. If this occurs, Management will be in communication with the Board regarding the options and selected path forward.

Staff continues to monitor the cash flow and the unpaid accounts as the prohibition for disconnections continues. Following is the most recent information as we transition into a new month with bills having been sent out last week. The District transitioned over $20,000 in old outstanding payments to the tax rolls. Currently, $24,082 remains unpaid for October bills due in November; $6,663 is 60 days overdue; $4079 is 90 days overdue; $3416 is 120 days or more overdue for a total amount in arrears of $103,766 representing an increase of $19,498 since last meeting. November bills are due on Monday 11/30 which has not been included in this report. An update will be provided to the Board on Thursday.

This District is exercising the limited means available to collect these outstanding payments by contact landlords, filing liens and placing reminder calls. Until the Governor declares the COVID emergency over the District can anticipate this challenge continuing.

Lastly, the District continues to exercise precaution in daily operations with protocols in place to protect the staff and the public. With flu season approaching, there is heightened concern from the medical community regarding the combined impacts of the normal flu season and COVID-19.

FISCAL IMPACT: As outlined above.

POSSIBLE MOTION: None

ATTACHMENTS: None

Helendale Community Services District

DATE: December 3, 2020
TO: Board of Directors
FROM: Kimberly Cox, General Manager
SUBJECT: Agenda item #6
Discussion and Possible Action Regarding Acceptance of the 2020 Fiscal Year Audit

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STAFF RECOMMENDATION:
Review and accept 2020 Fiscal Year Audit.

STAFF REPORT:
The District has contracted with the firm of Fedak and Brown (F&B) to prepare the audit for Fiscal Year 2020. Staff has enjoyed working with F&B and appreciates their thoroughness in evaluating the District's financial procedures and adherence to District policies. This is the fourth year the Fedak and Brown have provided audit services. Last year the District exercised the option to engage the firm for an additional two years (FY2020 and FY2021).

Attached to the agenda packet is the draft final audit your review and use. This shows the District's financial position as of June 30, 2019. Jeff Palmer from Fedak and Brown, will present an overview of the audit at the Board meeting. The auditors have presented an unmodified audit. This means that the District has followed accounting guidelines and principles to account for the use and receipt of District funds.

During the course of the audit District staff provided access to all information that was relevant to the audit and the financial statements. Unlike other audits, due to COVID, this year's audit was entirely virtual for the safety of all staff. Staff and the District's financial consultant were responsive to the various inquiries which assisted the auditors in determining the financial condition and compliance with District policies and procedures as well as State and Federal accounting guidelines and pronouncements.

A helpful component of the audit is the Management Discussion and Analysis (MD&A). The discussion is prepared by the auditors and explains the financial transactions of the District during the course of the fiscal year.

The auditors met with the President and Secretary of the Board to review the audit in greater detail prior to the Board meeting.

FISCAL IMPACT: None

POSSIBLE MOTION: Accept the annual audit for the 2020 Fiscal Year

ATTACHMENTS: Draft Audit for Fiscal Year 2020
Management Report

Helendale Community Services District

Helendale, California

Financial Statements

For the Fiscal Year Ended

June 30, 2020

26540 Vista Road | Helendale, CA

Helendale Community Services District

Our Mission Statement

"The Mission of the Helendale Community Services District is to provide efficient, effective local government through transparent operation in all areas of service for the benefit of the community"

Board of Directors

Name	Title	Elected/ Appointed	Term Expires
Ron Clark	President	Elected	2022
Tim Smith	Vice President	Elected	2022
Sandy Haas	Director	Elected	2020
Craig Schneider	Director	Elected	2022
Henry Spiller	Director	Elected	2020

District Management

Kimberly Cox	General Manager
Craig Carlson	Water Operations Manager
Alex Alves	Wastewater Operations Manager

Helendale Community Services District
26540 Vista Road, Suite B, P.O. Box 359
Helendale, California, 92342
(760) 951-0006

Helendale Community Services District
Helendale, California

Financial Statements

For the Fiscal Year Ended

June 30, 2020

Helendale Community Services District
Financial Statements
For the Fiscal Year Ended June 30, 2020

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Financial Section

Independent Auditor's Report

Board of Directors
Helendale Community Services District
Helendale, 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 Helendale Community Services District (District) as of and for the year ended June 30, 2020, 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 the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 entity'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 entity'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 audit opinion.

Independent Auditor's Report, continued

Opinion

In our opinion, the 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, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Prior Period Restatement

As described in note 11 to the financial statements, the District restated net position related to 1) a grant receivable sourcing from an agreement with the U.S. Department of the Interior, Land and Water Conservation fund for the purpose of a Parks and Recreation improvement project, for the year ended June 30, 2018 and 2) to reclassify the June 30, 2019 administrative allocation grouped with due to/from in the prior year to transfers in/out. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9 and the required supplementary information on pages 52 through 58 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 3, 2020, 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 in considering the District's internal control over financial reporting and compliance. That report can be found on page 59 and 60.

Fedak & Brown LLP
Cypress, California
December 3, 2020

Helendale Community Services District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the Helendale Community Services District (District) provides an introduction to the financial statements of the District for the fiscal year ended June 30, 2020. We encourage readers to consider the information presented here with additional information that we have furnished in the accompanying basic financial statements and related notes, which follow this section.

Financial Highlights

- In 2020, the District's net position increased by 9.45% or $1,557,071 to $18,039,784 as a result of ongoing operations and the effect of a prior period adjustment to fund balance/net position. See note 11 for further information.
- In 2020, the District's total revenues increased 6.10% or $355,426 to $6,185,542.
- In 2020, the District's total expenses increased by 5.14% or $226,330 to $4,628,471.

In fiscal year 2020, the District determined to modify the presentation of these and future annual financial statements for the purpose of clarity, and provide consistency within the required financial reporting. As a result, the financial statements include governmental fund and enterprise fund groups. Governmental funds rely on near-term inflows and outflows of spendable resources for those activities. Governmental funds reported in these financial statements include the: Parks and Recreation Fund, Recycling Center Fund, and the General Fund which reports general revenues and administrative cost to provide support to the District in general. The Enterprise Funds consist of the Water Fund, Wastewater Fund, and the Solid Waste Fund. These funds operate in a manner similar to a business whereby service rates are based on the costs on providing and maintain those services over time.

Using This Financial Report

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provides 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 deferred outflows of resources, obligations to creditors (liabilities) and deferred inflows of resources. 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 revenue 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 profitability 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.

Government-wide Financial Statements, continued

Statement of Net Position and Statement of Activities, continued

These two statements report the District's *net position* and changes in it. Think of the District's net position – the difference between assets plus deferred outflows of resources, less 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 is one indicator of whether its *financial health* is improving or deteriorating. However, one will need to consider other non-financial factors 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.

Fund Financial Statements

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

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 fund 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 narrower 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 fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

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. The notes to the basic financial statements can be found on pages 19 through 51.

Government-wide Financial Analysis

Statements of Net Position

The following table is a summary of the statement of net position at June 30, 2020.

Condensed Statements of Net Position

	Governmental Activities		Business-type Activities		Total District	
	2020	As Restated 2019	2020	As Restated 2019	2020	As Restated 2019
Assets:						
Current assets	$ 673,213	462,035	6,869,076	5,933,914	7,542,289	6,395,949
Non-current assets	2,508,326	2,630,873	14,981,864	14,644,279	17,490,190	17,275,152
Total assets	3,181,539	3,092,908	21,850,940	20,578,193	25,032,479	23,671,101
Deferred outflows of resources	109,465	114,646	164,196	171,967	273,661	286,613
Liabilities:						
Current liabilities	1,048,274	1,043,636	657,523	594,288	1,705,797	1,637,924
Non-current liabilities	1,115,483	1,161,837	4,438,355	4,675,240	5,553,838	5,837,077
Total liabilities	2,163,757	2,205,473	5,095,878	5,269,528	7,259,635	7,475,001
Deferred inflows of resources	2,687	-	4,034	-	6,721	-
Net position:						
Net investment in capital assets	1,544,171	1,585,066	10,531,978	9,928,539	12,076,149	11,513,605
Unrestricted	(419,611)	(582,985)	6,383,246	5,552,093	5,963,635	4,969,108
Total net position	$ 1,124,560	1,002,081	16,915,224	15,480,632	18,039,784	16,482,713

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets plus deferred outflows of resources of the District exceeded liabilities and deferred inflows of resources by $18,039,784 as of June 30, 2020. The District's total net position is made-up of two components: (1) net investment in capital assets and (2) unrestricted net position.

Government-wide Financial Analysis, continued

Statements of Activities

The following table is a summary of the statement of activities for the year ended June 30, 2020.

Condensed Statements of Activities

	Governmental Activities		Business-type Activities		Total District	
	2020	**As Restated 2019**	**2020**	**As Restated 2019**	**2020**	**As Restated 2019**
Revenues:						
Program revenues:						
Charges for services	$ 395,498	463,016	5,047,438	4,668,093	5,442,936	5,131,109
Capital grants and contributions	10,000	-	123,628	50,613	133,628	50,613
Total program revenues	405,498	463,016	5,171,066	4,718,706	5,576,564	5,181,722
General revenues:						
Property taxes	138,284	118,025	-	-	138,284	118,025
Interest earnings	86,840	134,690	-	-	86,840	134,690
Rental income	324,437	311,933	-	-	324,437	311,933
Other	58,473	67,538	944	16,208	59,417	83,746
Total general revenues	608,034	632,186	944	16,208	608,978	648,394
Total revenues	1,013,532	1,095,202	5,172,010	4,734,914	6,185,542	5,830,116
Expenses:						
General	1,229,812	1,117,776	-	-	1,229,812	1,117,776
Property rental	70,541	74,694	-	-	70,541	74,694
Parks and recreation	367,753	373,234	-	-	367,753	373,234
Recycle	159,622	165,919	-	-	159,622	165,919
Interest on long-term debt	44,560	47,941	-	-	44,560	47,941
Water	-	-	1,229,450	1,187,426	1,229,450	1,187,426
Wastewater	-	-	749,282	717,708	749,282	717,708
Solid waste	-	-	777,451	717,443	777,451	717,443
Total expenses	1,872,288	1,779,564	2,756,183	2,622,577	4,628,471	4,402,141
Excess before transfers	(858,756)	(684,362)	2,415,827	2,112,337	1,557,071	1,427,975
Transfers from(to) other funds	981,235	-	(981,235)	-	-	-
Change in net position	122,479	(684,362)	1,434,592	2,112,337	1,557,071	1,427,975
Net position, beginning of period, as restated	1,002,081	1,686,443	15,480,632	13,368,295	16,482,713	15,054,738
Net position, end of period	$ 1,124,560	1,002,081	16,915,224	15,480,632	18,039,784	16,482,713

Compared to prior year, net position of the District increased 9.45% or $1,557,071 to $18,039,784 as a result of ongoing operations and the effect of a prior period adjustment to fund balance/net position. See note 11 for further information.

Total revenues increased 6.10% or $355,426 to $6,185,542. The District's program revenues increased by $394,842, due to increases of $311,827 in charges for services and $83,015 in capital grants and contributions. The District's general revenues decreased by $39,416, due to decreases of $47,850 in interest earnings and $24,329 in other revenues which were offset by increases of $20,259 in property taxes and $12,504 in rental income from the prior year.

Government-wide Financial Analysis, continued

Statements of Activities, continued

Total expenses increased by 5.14% or $266,330 to $4,628,471, due primarily to increases of $111,917 in general fund expenses, $60,009 in solid waste expenses, $42,084 in water fund expenses, and $31,632 in wastewater fund expenses which were offset by decreases of $6,297 in recycle fund expenses and $5,481 in parks and recreation expenses as compared to the prior year.

Changes in fund balance – Governmental funds

The following table is a summary of the changes in fund balance for all governmental funds for the year ended June 30, 2020.

Condensed Changes in Fund Balance – Governmental Funds

		General	Property Rental	Parks and Recreation	Recycle	Total Governmental Activities
Fund balance, beginning of year, as restated	$	161,452	(18,425)	(615,452)	400	(472,025)
Change in fund balance		15,779	56,284	153,776	(10,648)	215,191
Fund balance, end of year	$	177,231	37,859	(461,676)	(10,248)	(256,834)

In 2020, total fund balance (deficit) decreased by 45.59% or $215,191 to $256,834. The General fund increased by 9.77% or $15,779 to $177,231; the property rental fund increased by 305.48% or $56,284 to $37,859, the parks and recreation fund decreased by 24.99% or $153,776 to $461,676; and the recycle fund decreased by $10,648 to $10,248.

Governmental Funds Budgetary Highlights

The final actual expenditures for the General Fund as of June 30, 2020, were more than budgeted by $27,524. In fiscal year 2020, actual payroll expenditures (including salaries and employee benefits) were over budget by $2,104 as the actual cost of employee benefits expenditures exceeded budgeted benefits costs during the fiscal year. Actual utilities expenditures were over budget by $31,935 due to increased electricity demand.

Actual General Fund revenues as of June 30, 2020, exceeded budgeted amounts by $60,821. In fiscal year 2020, property tax revenue was above budgeted by $22,431. Actual interest earnings were more than budgeted by $9,840 due to more favorable market conditions. Rental income was more than budgeted by $14,454. Other revenue was greater than budgeted by $11,624.

Actual General Fund total transfers in were less than budgeted by $17,399.

The final actual expenditures for the Property Rental Fund as of June 30, 2020, were less than budgeted by $35,756. In fiscal year 2020, actual materials and services were less than budgeted by $9,228. Actual utilities expenditures were less than budgeted by $731. Actual debt payments were less than budgeted for by $25,797.

Actual Property Rental Fund revenues as of June 30, 2020, were more than budgeted amounts by $19,019.

Actual General Fund total transfers in were more than budgeted by $58,576.

Governmental Funds Budgetary Highlights

The final actual expenditures for the Parks and Recreation Fund as of June 30, 2020, were more than budgeted by $14,320. In fiscal year 2020, actual payroll expenditures (including salaries and employee benefits) were under budget by $33,942 as the actual cost of employee benefits expenditures were less than budgeted benefits costs during the fiscal year. Actual materials and services were more than budgeted by $8,257. Actual utilities expenditures were over budget by $8,171 due to increased electricity demand. Actual capital outlay expenditures were more than budgeted for by $32,139.

Actual Parks and Recreation Fund revenues as of June 30, 2020, were less than budgeted amounts by $123,521. In fiscal year 2020, grant revenue was below budgeted by $130,000, which was primarily due to grant revenue which was recorded as a prior period adjustment. Please see note 11 for further information. Rental income was more than budgeted amounts by $928. Other revenue was more than budgeted by $12,709.

Actual Parks and Recreation Fund total transfers out were more than budgeted by $98,539.

The final actual expenditures for the Recycling Fund as of June 30, 2020, were less than budgeted by $49,686. In fiscal year 2020, actual payroll expenditures (including salaries and employee benefits) were under budget by $43,198 as the actual cost of employee benefits expenditures were less than budgeted benefits costs during the fiscal year. Actual utilities expenditures were under budget by $10,884. Actual capital outlay expenditures was more than budgeted for by $10,736.

Actual Recycling Fund revenues as of June 30, 2020, were less than budgeted amounts by $55,773. In fiscal year 2020, recycling revenue was less than budgeted by $65,773. Actual capital grant revenue was more than budgeted for by $10,000.

Actual Recycling Fund total transfers out were more than budgeted by $4,561.

(See Budgetary Comparison Schedule for General Fund under Required Supplementary Information section on pages 52 through 56).

Capital Asset Administration

Capital Assets

	Governmental Activities		Business-type Activities		Total District	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
Capital assets:						
Non-depreciable assets	$ 307,702	372,324	617,960	611,830	925,662	984,154
Depreciable assets	4,159,490	4,051,993	27,432,198	26,724,982	31,591,688	30,776,975
Total capital assets	4,467,192	4,424,317	28,050,158	27,336,812	32,517,350	31,761,129
Accumulated depreciation	(1,958,866)	(1,793,444)	(13,068,294)	(12,692,533)	(15,027,160)	(14,485,977)
Total capital assets, net	$ 2,508,326	2,630,873	14,981,864	14,644,279	17,490,190	17,275,152

At the end of fiscal year 2020, the District's in capital assets amounted to $17,490,190 (net of accumulated depreciation). Capital assets include land, structures and improvements, equipment, vehicles, water rights and other intangibles, and construction-in-process. The capital assets of the District are more fully analyzed in Note 4 to the basic financial statements.

Long-Term Debt Administration

Long-term Debt

		Governmental Activities		Business-Type Activities		Total	
		2020	**2019**	**2020**	**2019**	**2020**	**2019**
Long-term debt:							
Long-term debt	$	964,155	1,045,807	4,449,886	4,715,740	5,414,041	5,761,547
Total long-term debt	$	964,155	1,045,807	4,449,886	4,715,740	5,414,041	5,761,547

Long-term debt decreased 6.03% or $347,506 to $5,414,041 in 2020 primarily due to regular debt service payments. The long-term debt position of the District is more fully analyzed in Note 6 to the basic financial statements.

Conditions Affecting Current Financial Position

The COVID-19 pandemic in the United States has caused business disruption through mandated and voluntary closings of businesses. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. However, the related financial impact on the District and the duration cannot be estimated at this time.

Management is unaware of any other conditions, which could have a significant impact on the District's current financial position, net position or operating results in terms of past, present and future.

Requests for Information

This financial report is designed to provide the District's present users, including funding sources, customers, stakeholders and other interested parties with a general overview of the District's finances and to demonstrate the District's accountability 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, Kimberly Cox at Helendale Community Services District, 26540 Vista Road, Suite B, P.O. Box 359, Helendale, California, 92342, (760) 951-0006, kcox@helendalecsd.org.

COMMUNITY SERVICES DISTRICT

HELENDALE

Basic Financial Statements

Helendale Community Services District
Statement of Net Position
June 30, 2020

		Governmental Activities	Business-type Activities	Total
Current assets:				
Cash and cash equivalents (note 2)	$	517,477	5,552,990	6,070,467
Accrued interest receivable		26	-	26
Accounts receivable – utilities		-	433,021	433,021
Accounts receivable – other		11,023	-	11,023
Accounts receivable – grants		132,600	3,034	135,634
Property taxes and assessments receivable		2,419	27,022	29,441
Due from other funds (note 3)		-	842,007	842,007
Prepaids and other assets		9,668	11,002	20,670
Total current assets		673,213	6,869,076	7,542,289
Non-current assets:				
Capital assets – not being depreciated (note 4)		307,702	617,960	925,662
Capital assets – being depreciated, net (note 4)		2,200,624	14,363,904	16,564,528
Total non-current assets		2,508,326	14,981,864	17,490,190
Total assets		3,181,539	21,850,940	25,032,479
Deferred outflows of resources:				
Deferred pension outflows (note 7)		109,465	164,196	273,661
Current liabilities:				
Accounts payable and accrued expenses		37,430	118,541	155,971
Accrued salaries and related payables		33,075	31,285	64,360
Customer deposits and unearned revenue		17,535	162,162	179,697
Accrued interest on long-term debt		5,472	56,663	62,135
Due to other funds (note 3)		842,007	-	842,007
Long-term liabilities – due within one year:				
Compensated absences (note 5)		27,590	11,689	39,279
Long-term debt (note 6)		85,165	277,183	362,348
Total current liabilities		1,048,274	657,523	1,705,797
Non-current liabilities:				
Long-term liabilities – due in more than one year:				
Compensated absences (note 5)		82,769	35,065	117,834
Long-term debt (note 6)		878,990	4,172,703	5,051,693
Net pension liability (note 7)		153,724	230,587	384,311
Total non-current liabilities		1,115,483	4,438,355	5,553,838
Total liabilities		2,163,757	5,095,878	7,259,635
Deferred inflows of resources:				
Deferred pension inflows (note 7)		2,687	4,034	6,721
Net position (note 8):				
Net investment in capital assets		1,544,171	10,531,978	12,076,149
Unrestricted (deficit)		(419,611)	6,383,246	5,963,635
Total net position	$	1,124,560	16,915,224	18,039,784

See accompanying notes to the basic financial statements

Helendale Community Services District
Statement of Activities
For the Fiscal Year Ended June 30, 2020

		Program Revenues		Net (Expense) Revenue and Changes in Net Position		
Functions/Programs	**Expenses**	**Charges for Services**	**Capital Grants and Contributions**	**Governmental Activities**	**Business-type Activities**	**Total**
Governmental activities:						
General	$ 1,229,812	147,024	-	(1,082,788)	-	(1,082,788)
Property rental	70,541	-	-	(70,541)	-	(70,541)
Parks and recreation	367,753	20,247	-	(347,506)	-	(347,506)
Recycling	159,622	228,227	10,000	78,605	-	78,605
Interest on long-term debt	44,560	-	-	(44,560)	-	(44,560)
Total governmental activities	1,872,288	395,498	10,000	(1,466,790)	-	(1,466,790)
Business-type activities:						
Water	1,229,450	2,977,219	113,545	-	1,861,314	1,861,314
Wastewater	749,282	1,319,995	10,083	-	580,796	580,796
Solid waste	777,451	750,224	-	-	(27,227)	(27,227)
Total business-type activities	2,756,183	5,047,438	123,628	-	2,414,883	2,414,883
Total	$ 4,628,471	5,442,936	133,628	(1,466,790)	2,414,883	948,093

	Governmental Activities	Business-type Activities	Total
General revenues:			
Property taxes	$ 138,284	-	138,284
Interest earnings	86,840	-	86,840
Rental income	324,437	-	324,437
Other	58,473	944	59,417
Total general revenues	608,034	944	608,978
Transfers (to)/from other funds (note 9)	981,235	(981,235)	-
Change in net position	122,479	1,434,592	1,557,071
Net position, beginning of year	(109,331)	16,459,444	16,350,113
Prior period adjustments (note 11)	1,111,412	(978,812)	132,600
Net position, beginning of year – as restated	1,002,081	15,480,632	16,482,713
Net position, end of year	$ 1,124,560	16,915,224	18,039,784

See accompanying notes to the basic financial statements

Helendale Community Services District
Balance Sheets – Governmental Funds
June 30, 2020

		General	Property Rental	Parks and Recreation	Recycling Center	Total Governmental Activities
Assets:						
Cash and cash equivalents	$	198,953	52,433	261,039	5,052	517,477
Accrued interest receivable		26	-	-	-	26
Accounts receivable – services		9,539	1,450	34	-	11,023
Accounts receivable – grants		-	-	132,600	-	132,600
Property taxes and assessments receivable		2,419	-	-	-	2,419
Prepaids		8,283	-	1,385	-	9,668
Total assets	$	219,220	53,883	395,058	5,052	673,213
Liabilities:						
Accounts payable and accrued expenses	$	15,024	525	8,855	13,026	37,430
Accrued salaries and related payables		26,831	-	3,970	2,274	33,075
Customer deposits and unearned revenue		134	15,499	1,902	-	17,535
Due to other funds		-	-	842,007	-	842,007
Total liabilities		41,989	16,024	856,734	15,300	930,047
Fund balance (note 10)**:**						
Assigned		-	-	(461,676)	(10,248)	(471,924)
Unassigned		177,231	37,859	-	-	215,090
Total fund balance		177,231	37,859	(461,676)	(10,248)	(256,834)
Total liabilities and fund balance	$	219,220	53,883	395,058	5,052	673,213

Continued on next page

See accompanying notes to the basic financial statements

Helendale Community Services District
Reconciliation of the Balance Sheets of Governmental Funds to the Statement of Net Position
June 30, 2020

Reconciliation:

Fund balance of total governmental funds		$ (256,834)
Amounts reported for governmental funding in the statement of net position is different because:		
Non-current assets used in governmental funding are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. However, the Statement of Net Position includes those non-current assets among the assets of the District as a whole.		
Capital assets		2,508,326
Pension contributions made during the fiscal year after the measurement date are reported as expenditures in governmental funds and as deferred outflows of resources in the government-wide financial statements.	$ 49,776	
Recognized changes in net assumptions are reported as deferred outflows of resources in the government-wide financial statements.	4,733	
Recognized portion due to net differences between the expected and actual experience are reported as deferred outflows of resources in the government-wide financial statements.	9,853	
Recognized portion due to net differences between the actual employer contribution and the proportionate share of contribution are reported as deferred outflows of resources in the government-wide financial statements.	19,294	
Recognized portion due to net differences in proportions are reported as deferred outflows of resources in the government-wide financial statements.	25,809	109,465
Long-term liabilities applicable to the District are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities both current and long-term, are reported in the Statement of Net Position as follows:		
Compensated absences		(110,359)
Long-term debt		(964,155)
Net pension liability		(153,724)
Recognized net difference between projected and actual earnings on pension plan investments are reported as deferred inflows of resources in the government-wide financial statements.	(2,687)	(2,687)
Interest on long-term debt in not accrued as a governmental fund liability, but rather is recognized as an expenditure when due.		(5,472)
Net position of governmental funding		$ 1,124,560

See accompanying notes to the basic financial statements

Helendale Community Services District
Statements of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
For the Year Ended June 30, 2020

		General	Property Rental	Parks and Recreation	Recycling Center	Total Governmental Activities
Revenues:						
Property taxes	$	121,889	-	16,395	-	138,284
Charges for services		147,024	-	20,247	-	167,271
Recycling		-	-	-	228,227	228,227
Capital grants		-	-	-	10,000	10,000
Investment earnings		86,840	-	-	-	86,840
Rental income		159,292	129,117	36,028	-	324,437
Other		31,824	-	26,649	-	58,473
Total revenues		546,869	129,117	99,319	238,227	1,013,532
Expenditures:						
General		1,173,295	-	-	-	1,173,295
Property rental		-	14,257	-	-	14,257
Parks and recreation		-	-	264,299	-	264,299
Recycling		-	-	-	158,638	158,638
Capital outlay		-	-	32,139	10,736	42,875
Debt service:						
Debt payments		-	60,085	21,567	-	81,652
Interest paid		-	25,753	18,807	-	44,560
Total expenditures		1,173,295	100,095	336,812	169,374	1,779,576
Net income(loss)		(626,426)	29,022	(237,493)	68,853	(766,044)
Other financing sources (uses) (note 9):						
Transfers in(out) – administrative allocation		981,235	-	-	-	981,235
Transfers in(out) – board discretionary		(339,030)	-	339,030	-	-
Transfers in(out) – debt transfer		-	85,838	(85,838)	-	-
Transfers in(out) – operational		-	(58,576)	138,077	(79,501)	-
Total other financing sources (uses)		642,205	27,262	391,269	(79,501)	981,235
Change in fund balance		15,779	56,284	153,776	(10,648)	215,191
Fund balance, beginning of year		(817,360)	(18,425)	(615,452)	400	(1,450,837)
Prior period adjustment (note 11)		978,812	-	-	-	978,812
Fund balance, beginning of year, as restated		161,452	(18,425)	(615,452)	400	(472,025)
Fund balance, end of year	$	177,231	37,859	(461,676)	(10,248)	(256,834)

Continued on next page

See accompanying notes to the basic financial statements

Helendale Community Services District
Reconciliation of the Statements of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2020

Reconciliation:

Net changes in fund balance of total governmental funds	$	215,191
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense as follows:		
Capital outlay expense		42,875
Depreciation expense		(165,422)
Repayment of long-term debt is reported as expenditures in governmental funds, and thus, has the effect of reducing fund balance because current financial resources have been used. For the District as a whole, however, the principal payments reduce the liabilities in the statement of net position and do not result in an expense in the statement of activities.		81,652
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenses in governmental funds as follows:		
Net change in accrued interest for the current period		356
Net change in compensated absences for the current period		(21,974)
Net change in pension obligations for the current period		(30,199)
Change in net position of governmental activities	$	122,479

See accompanying notes to the basic financial statements

Helendale Community Services District
Statements of Net Position – Enterprise Funds
June 30, 2020

		Water	Wastewater	Solid Waste	Total Business-type Activities
Current assets:					
Cash and cash equivalents	$	1,555,961	3,654,953	342,076	5,552,990
Accounts receivable – utilities		257,100	123,905	52,016	433,021
Accounts receivable – grants		3,034	-	-	3,034
Property taxes and assessments receivable		7,914	14,546	4,562	27,022
Due from other funds		-	842,007	-	842,007
Prepaids and other assets		10,475	404	123	11,002
Total current assets		1,834,484	4,635,815	398,777	6,869,076
Non-current assets:					
Capital assets – not being depreciated		167,979	449,981	-	617,960
Capital assets – being depreciated, net		12,251,103	2,112,801	-	14,363,904
Total non-current assets		12,419,082	2,562,782	-	14,981,864
Total assets		14,253,566	7,198,597	398,777	21,850,940
Deferred outflows of resources:					
Deferred pension outflows		84,836	60,203	19,157	164,196
Current liabilities:					
Accounts payable and accrued expenses		47,590	25,134	45,817	118,541
Accrued salaries and related payables		15,147	12,068	4,070	31,285
Customer deposits and deferred revenue		162,162	-	-	162,162
Accrued interest on long-term debt		56,261	402	-	56,663
Long-term liabilities – due within one year:					
Compensated absences		5,465	5,269	955	11,689
Long-term debt		222,621	54,562	-	277,183
Total current liabilities		509,246	97,435	50,842	657,523
Non-current liabilities:					
Long-term liabilities – due in more than one year:					
Compensated absences		16,395	15,806	2,864	35,065
Long-term debt		3,688,765	483,938	-	4,172,703
Net pension liability		119,137	84,547	26,903	230,587
Total non-current liabilities		3,824,297	584,291	29,767	4,438,355
Total liabilities		4,333,543	681,726	80,609	5,095,878
Deferred inflows of resources:					
Deferred pension inflows		2,084	1,479	471	4,034
Net position:					
Net investment in capital assets		8,507,696	2,024,282	-	10,531,978
Unrestricted		1,495,079	4,551,313	336,854	6,383,246
Total net position	$	10,002,775	6,575,595	336,854	16,915,224

See accompanying notes to the basic financial statements

Helendale Community Services District
Statements of Revenues, Expenses and Changes in Fund Net Position – Enterprise Funds
For the Fiscal Year Ended June 30, 2020

	Water	Wastewater	Solid Waste	Total Business-type Activities
Operating revenues:				
Water consumption sales	$ 848,431	-	-	848,431
Monthly meter service charge	1,515,389	-	-	1,515,389
Wastewater service charges	-	1,274,297	-	1,274,297
Solid waste collection charges	-	-	509,181	509,181
Sale or lease of water rights	494,475	-	-	494,475
Special assessment	29,884	22,443	233,728	286,055
Other charges and services	89,040	23,255	7,315	119,610
Total operating revenues	2,977,219	1,319,995	750,224	5,047,438
Operating expenses:				
Salaries and benefits	433,298	365,517	106,515	905,330
Operations	390,420	218,796	670,734	1,279,950
Total operating expenses	823,718	584,313	777,249	2,185,280
Operating income before depreciation	2,153,501	735,682	(27,025)	2,862,158
Depreciation	(233,093)	(142,466)	(202)	(375,761)
Operating income (loss)	1,920,408	593,216	(27,227)	2,486,397
Non-operating revenues (expenses):				
Interest expense – long-term debt	(172,639)	(22,503)	-	(195,142)
Other non-operating revenues	944	-	-	944
Total non-operating revenues, net	(171,695)	(22,503)	-	(194,198)
Operating income before capital contributions	1,748,713	570,713	(27,227)	2,292,199
Transfers in (out):				
Administrative allocation transfer in(out)	(490,617)	(480,805)	(9,813)	(981,235)
Total transfers in(out)	(490,617)	(480,805)	(9,813)	(981,235)
Capital contributions:				
Connection fees	21,755	10,083	-	31,838
Capital grants and contributions	91,790	-	-	91,790
Total capital contributions	113,545	10,083	-	123,628
Change in net position	1,371,641	99,991	(37,040)	1,434,592
Net position, beginning of year	9,120,540	6,955,222	383,682	16,459,444
Prior period adjustment (note 11)	(489,406)	(479,618)	(9,788)	(978,812)
Net position, beginning of year, as restated	8,631,134	6,475,604	373,894	15,480,632
Net position, end of year	$ 10,002,775	6,575,595	336,854	16,915,224

See accompanying notes to the basic financial statements

Helendale Community Services District
Statements of Cash Flows – Enterprise Funds
For the Fiscal Year Ended June 30, 2020

	Water	Wastewater	Solid Waste	Total Business-type Activities
Cash flows from operating activities:				
Cash receipts from customers	$ 2,975,213	1,318,578	741,445	5,035,236
Cash paid to employees for salaries and benefits	(405,104)	(330,897)	(98,816)	(834,817)
Cash paid to vendors and suppliers	(379,692)	(219,056)	(677,406)	(1,276,154)
Net cash provided by (used in) operating activities	2,190,417	768,625	(34,777)	2,924,265
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(406,093)	(305,104)	-	(711,197)
Proceeds from capital contributions	110,511	10,083	-	120,594
Principal payments on long-term debt	(213,359)	(52,495)	-	(265,854)
Interest payments on long-term debt	(172,639)	(22,503)	-	(195,142)
Net cash used in capital and financing activities	(681,580)	(370,019)	-	(1,051,599)
Net increase (decrease) in cash and cash equivalents	1,018,220	(82,199)	(44,590)	891,431
Cash and cash equivalents, beginning of year	537,741	3,737,152	386,666	4,661,559
Cash and cash equivalents, end of year	$ 1,555,961	3,654,953	342,076	5,552,990
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	$ 1,920,408	593,216	(27,227)	2,486,397
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:				
Depreciation expense	233,093	142,466	202	375,761
Other non-operating revenues	(944)	-	-	(944)
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources				
(Increase) decrease in assets and deferred outflows:				
Accounts receivable – utilities, net	(18,704)	1,778	(4,217)	(21,143)
Property taxes and assessments receivable	(1,431)	(3,195)	(4,562)	(9,188)
Grants receivable	(3,034)	-	-	(3,034)
Prepaids and other assets	(10,169)	(195)	(2)	(10,366)
Deferred outflows of resources	4,015	2,851	905	7,771
Increase (decrease) in liabilities and deferred inflows:				
Accounts payable and accrued expenses	20,897	(65)	(6,670)	14,162
Accrued salaries and related payables	6,721	7,002	2,419	16,142
Customer deposits and deferred revenue	22,107	-	-	22,107
Compensated absences	(1,931)	11,008	(5)	9,072
Net pension liability	17,305	12,280	3,909	33,494
Deferred inflows of resources	2,084	1,479	471	4,034
Total adjustments	270,009	175,409	(7,550)	437,868
Net cash provided by (used in) operating activities	$ 2,190,417	768,625	(34,777)	2,924,265

See accompanying notes to the basic financial statements

(1) Reporting Entity and Summary of Significant Accounting Policies

A. Organization and Operations of the Reporting Entity

The Helendale Community Services District (District) was formed on December 5, 2006, for the purpose of construction, operation, and maintenance of wastewater collection and water services. Prior to formation, the service area was administered by the County of San Bernardino as San Bernardino County Special Districts Zones B &C. District staff assumed full responsibility of the District from the County of San Bernardino on April 1, 2007.

The primary component of the District is water, wastewater and solid waste services. Parks and recreation are a vital component to any community. As part of the District there is one community center. This center is utilized for a wide range of activities and is available to the community for a nominal fee. There are two parks, the community park and the dog park. Both parks are available from morning until dusk. The street lights serve primarily the business district of Helendale.

The District normally conducts two monthly general meetings of the Board of Directors which are held on the first and third Thursday of the month in the Helendale Community Center.

B. Basis of Accounting and Measurement Focus

Financial Reporting

The District's basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The District has adopted the following GASB pronouncements in the current year:

Governmental Accounting Standards Board Statement No. 95

In May 2020, the GASB issued Statement No. 95 – Postponement of the Effective Dates of Certain Authoritative Guidance. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

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-like activities. Accordingly, all of the District's assets (including capital assets), deferred outflows of resources, liabilities, 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 are recorded at year end. 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 non-operating revenues. Contributed capital and capital grants are included as capital contributions.

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

B. Basis of Accounting and Measurement Focus, continued

Financial Reporting, continued

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.

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 net current assets. Under 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 period.

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 proprietary 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 recorded at year end.

Proprietary funds distinguish operating revenues and expenses from non-operating 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 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 non-operating revenues and expenses.

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 proprietary categories. An emphasis is placed on major funds within the governmental and proprietary 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 proprietary fund are at least 10 percent of the corresponding total for all funds of that category or type; and

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

B. Basis of Accounting and Measurement Focus, continued

Financial Reporting, continued

Fund Financial Statements, continued

b) Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or proprietary fund are at least 5 percent of the corresponding total for all governmental and proprietary funds combined.

c) The entity has determined that a fund is important to the financial statement user.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund – This fund is used to account for and report all financial resources not accounted for and reported in another Fund.

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

Recycling – This fund is used to account for the recycling center activities within the District which are utilized to support parks and recreation services.

Enterprise Fund

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

Wastewater – This fund accounts for the wastewater operations of the District.

Solid Waste – This fund is used to account for sanitation collection and disposal activities within the District.

C. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position

1. Use of Estimates

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

2. Uncertainty

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. However, the related financial impact on District and the duration cannot be estimated at this time.

3. 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.

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

C. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position, continued

4. Investments

Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

- State of California Local Area Investment Fund (LAIF)

LAIF is regulated by California Government Code (Code) Section 16429 and is under the management of the State of California Treasurer's Office with oversight provided by the Local Agency Investment Advisory Board.

LAIF is carried at fair value based on the value of each participating dollar as provided by LAIF. The fair value of the District's position in the LAIF is the same as the value of its pooled share. Investments in securities of the U.S. government or its agencies are carried at fair value based on quoted market prices. Bank balances are secured by the pledging of a pool of eligible securities to collateralize the District's deposits with the bank in accordance with the Code.

Changes in fair value that occur during a fiscal year are recognized as unrealized gains or losses and reported for that fiscal year. Investment income comprises interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

5. Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on valuation inputs used to measure the fair value of the asset, as follows:

- **Level 1** – This valuation is based on quoted prices in active markets for identical assets.
- **Level 2** – This valuation is based on directly observable and indirectly observable inputs. These inputs are derived principally from or corroborated by observable market data through correlation or market-corroborated inputs. The concept of market-corroborated inputs incorporates observable market data such as interest rates and yield curves that are observable at commonly quoted intervals.
- **Level 3** – This valuation is based on unobservable inputs where assumptions are made based on factors such as prepayment rates, probability of defaults, loss severity and other assumptions that are internally generated and cannot be observed in the market.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques attempt to maximize the use of observable inputs and minimize the use of unobservable inputs.

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

C. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position, continued

5. Fair Value Measurements, continued

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the District believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in different fair value measurement at the reporting date.

The District does not currently hold any investments which require the treatment of fair value measurements.

6. Accounts Receivable – Water Sales and Services

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

7. Property Taxes and Assessments

The San Bernardino County Assessor's Office assesses all real and personal property within the County each year. The San Bernardino County Tax Collector's Office bills and collects the District's share of property taxes and/or tax assessments. The San Bernardino 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 the San Bernardino County, which have not been credited to the District's cash balance as of June 30. 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

8. Materials and Supplies Inventory

Materials and supplies inventory consist primarily of water meters, pipe and pipe fittings for construction and repair to the District's water transmission and distribution system. Inventory is valued at cost using a weighted average method. Inventory items are charged to expense at the time that individual items are withdrawn from inventory or consumed.

9. Prepaids

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

10. 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.

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

C. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position, continued

10. Capital Assets, continued

Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Governmental Activities

- Structures and improvements – 20 to 40 years
- Equipment – 5 to 15 years
- Vehicles – 5 to 10 years

Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Business-Type Activities

- Structures and improvements – 20 to 40 years
- Equipment – 5 to 15 years
- Vehicles – 5 to 10 years
- Water rights and other intangibles – 20 years

11. Deferred Outflows of Resources

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 resources applicable to future periods and therefore will *not* be recognized as an outflow of resources (expenditure) until that time. The District has the following pension related items that qualify for reporting in this category:

Pension Plan:

- Deferred outflow which is equal to the employer contributions made after the measurement date of the net pension liability. This amount will be amortized-in-full against the net pension liability in the next fiscal year.
- Deferred outflow for the net differences between the actual and expected experience which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plan.
- Deferred outflow for the net changes in assumptions which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plan.
- Deferred outflow for the net difference in actual and proportionate share of employer contribution and net changes in proportion which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plan.
- Deferred outflow for the net adjustment due to differences in the changes in proportions of the net pension liability which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plan.

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

C. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position, continued

12. Compensated Absences

Accrued Vacation – For each full-time employee, vacation days shall be earned per biweekly pay period. Upon completion of 1 through 4 years of employment, 80 vacation hours are earned, from year 5 through year 9, 120 vacation hours are earned, from year 10 through year 20, 160 vacation hours are earned and after 20 years, 200 vacation hours are earned.

Part-time regular employees do not accrue leave. Exempt positions will, at the time of hire, begin at two (2) weeks per year. Vacation time may be accumulated up to a maximum of 160 hours (4 weeks). New employees will not be authorized vacation time off until completion of three (3) months of continuous employment. If employment is terminated for any reason, the earned vacation will be paid through the last day of employment.

Accrued Sick Leave – Beginning with the date of employment, sick leave at 3.69 hours per pay period shall be credited to the employee. The biweekly pay record will reflect the current sick leave accumulation for each employee. Sick leave is not considered to be vacation, and is to be used only during physical or mental illness, injury, pregnancy, for a medical, optical, or dental appointment. If sick leave is used up due to illness or injury, vacation can be used. An employee with no sick leave or vacation credit shall not receive compensation for days not worked due to illness or injury. Abuse of sick leave is grounds for discipline, up to and including dismissal.

Sick leave may be accumulated up to a maximum of 1,000 hours. After 10 years of continuous service from the date of hire as a regular full-time employee upon retirement, death, or separation, an employee or the estate of the deceased employee will be paid the unused sick for the following sick leave balances at 30% at 480 hours or less, 35% at 481 to 600 hours, 40% at 601 to 720 hours, 45% at 721 to 840 hours, 50% at 841 to 1,000 hours.

13. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) plans (Plans) and addition to/deduction from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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: June 30, 2018
- Measurement Date: June 30, 2019
- Measurement Period: July 1, 2018 to June 30, 2019

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

C. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position, continued

14. Deferred Inflows of Resources

The statement of net position will sometimes report a separate section for deferred inflows of resources. This financial statement element, *deferred inflows of resources,* represents an acquisition of resources applicable to future periods and therefore will *not* be recognized as an inflow of resources (revenue) until that time.

- Deferred inflow for the net difference in projected and actual earnings on investments of the pension plans fiduciary net position. This amount is amortized over a 5-year period.

15. Net Position

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

- **Net Investment in Capital Assets** – Net Investment in capital assets, consists of capital assets, net of accumulated depreciation and amortization, and reduced by outstanding balances of any debt, or other long-term borrowings that are attributable to the acquisition, construction, or improvement of those assets.

- **Restricted** – Restricted consists of assets that have restrictions placed upon their use by external constraints imposed either by creditors (debt covenants), grantors, contributors, or laws and regulations of other governments or constraints imposed by law through enabling legislation.

- **Unrestricted** – Unrestricted consists of the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of the net investment in capital assets or restricted component of net position.

During the fiscal year ended June 30, 2020, the District shows a negative unrestricted net position balance in the Districts' governmental funds of $1,400,846 due to current year operating costs exceeding operating revenue. The District intends to reduce the negative unrestricted net position through the collection of general and charge for service revenues in addition to improving the allocation of expenditures between its general fund across all funds in future periods.

16. Fund Balance

The financial statements report, governmental funds fund balance as non-spendable, restricted, committed, assigned, or unassigned based primarily on the extent to which the District is bound to honor constraints or 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.

- **Restricted fund balance** – amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions enabling legislation.

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

C. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position, continued

16. Fund Balance, continued

- **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, or by a body or an official designated for that purpose.
- **Unassigned fund balance** – the residual classification for the District's general fund that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

The Board of Directors established, modifies or rescinds fund balance commitments and assignments by passage of an ordinance or resolution. This is done through adoption of the budget and subsequent budget amendments that occur throughout the year.

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

Fund Balance Policy

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

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

17. Utility Sales and Services

Utility sales are billed on a monthly basis.

18. 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 expenditures or capacity commitment.

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

C. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position, continued

19. Budget

The District follows specific procedures in establishing the budgetary data reflected in the financial statements. Each year, the District's General Manager prepares and submits an operating budget to the Board for the Governmental and Enterprise Funds no later than June of each year. The basis used to prepare the budget does not differ substantially from the modified accrual basis of accounting. The adopted budget becomes operative on July 1. The Board must approve all supplemental appropriations to the budget and transfers between major accounts. The District's annual budget is presented as a balanced budget (inflows and reserves equal outflows and reserves) adopted for the Governmental and Enterprise Funds at the detailed expenditure-type level.

The District presents a comparison of the annual budget to actual results for the Governmental and Enterprise Funds at the functional expenditure-type major object level for financial reporting purposes. The budgeted expenditure amounts represent the adopted budget. No Board approved supplemental appropriations were made. The budgeted revenue amounts represent the adopted budget as originally approved.

20. Reclassification

The District has reclassified certain prior year information to conform to current year presentations.

(2) Cash and Cash Equivalents

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

		2020
Governmental activity funds:		
General fund	$	198,953
Property rental		52,433
Parks and recreation fund		261,039
Recycling fund		5,052
Total		517,477
Business-type activity funds:		
Water fund		1,555,961
Wastewater fund		3,654,953
Solid Waste fund		342,076
Total		5,552,990
Total cash and cash equivalents	$	6,070,467

(2) Cash and Cash Equivalents, continued

Cash and cash equivalents as of June 30 consisted of the following:

		2020
Cash on hand	$	300
Deposits held with financial institutions		6,063,141
Deposits held with California Local Agency Investment Fund (LAIF)		7,026
Total	$	6,070,467

As of June 30 the District's authorized deposits had the following maturities:

	2020
Deposits held with California Local Agency Investment Fund (LAIF)	191 days

Authorized Deposits and Investments

The District's investment policy authorizes investments in Certificates-of-deposit and the California Local Agency Investment Fund (LAIF). The District's investment policy does contain specific provisions intended to limit its exposure to interest rate risk, credit risk, custodial risk, and concentration of credit risk.

Investment in the California State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Amounts held with LAIF are highly liquid, as deposits can be converted to cash within a twenty-four-hour period without loss of accrued interest. Credit and market risk are unknown.

LAIF detail may be obtained from the State of California Treasurer's website at www.treasurer.ca.gov/pmia-laif/index.asp.

The pool portfolio is invested in a manner that meets the maturity, quality, diversification and liquidity requirements set forth by GASB 79 for external investment pools that elect to measure, for financial reporting purposes, investments at amortized cost. LAIF does not have any legally binding guarantees of share values. LAIF does not impose liquidity fees or redemption gates on participant withdrawals.

(2) Cash and Cash Equivalents, continued

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 does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: 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. Of the District's bank balances, up to $250,000 is federally insured and the remaining balance is collateralized in accordance with the code.

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 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 Code as it relates to limits on investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

Credit Risk

Generally, 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; however, LAIF is not rated. 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.

Concentration of Credit Risk

The District's investment policy contains various limitations on the amounts that can be invested in any one governmental agency or non-governmental issuer as stipulated by the California Government Code. The District's deposit portfolio with a government-sponsored agency, LAIF, is 0.12% of the District's total depository and investment portfolio. There were no investments in any one non-governmental issuer that represent 5.0% or more of the District's total investments.

Fair Value Measurements

As of June 30, 2020, the District did not hold any investments which require measurement at fair value on a recurring and non-recurring basis.

(3) Internal Balances – Due To/From Other Funds

Internal balances consist of the following as of June 30, 2020:

Purpose	Receivable Fund	Payable Fund		Amount
Interfund Loan	Wastewater	Parks & Rec	$	842,007
		Total internal balances:	$	842,007

On June 21, 2018, the District adopted Resolution 2018-01, for the purpose establishing a repayment agreement between the Wastewater and Parks and Recreation funds for the transfer of 35 acres of property in the amount $842,007 with 0% interest. The purpose of the transfer is for the future expansion of the wastewater irrigation area to spread secondary water. The term of the agreement is twenty (20) years from July 1, 2020.

(4) Capital Assets

Governmental Activities:

Changes in capital assets at June 30 were as follows:

		Balance 2019	Additions	Deletions/ Transfers	Balance 2020
Non-depreciable assets:					
Land	$	307,702	-	-	307,702
Construction-in-process		64,622	42,875	(107,497)	-
Total non-depreciable assets		372,324	42,875	(107,497)	307,702
Depreciable assets:					
Structures and improvements		3,488,891	96,761	-	3,585,652
Equipment		458,675	10,736	-	469,411
Vehicles		104,427	-	-	104,427
Total depreciable assets		4,051,993	107,497	-	4,159,490
Accumulated depreciation:		(1,793,444)	(165,422)	-	(1,958,866)
Total depreciable assets, net		2,258,549	(57,925)	-	2,200,624
Total capital assets, net	$	2,630,873			2,508,326

The District had major governmental capital asset additions during fiscal year 2020 to non-depreciable assets of $42,875 in construction in progress related to various ongoing projects in the parks and recreation and recycle funds. Additions during the fiscal year 2020 to depreciable assets consist of $96,761 to structures and improvements and $10,736 to equipment. There were no reported asset disposals in fiscal year 2020.

(4) Capital Assets, continued

Business-type Activities:

Changes in capital assets at June 30 were as follows:

		Balance 2019	Additions	Deletions/ Transfers	Balance 2020
Non-depreciable assets:					
Land	$	611,830	-	-	611,830
Construction-in-process		-	845,011	(838,881)	6,130
Total non-depreciable assets		611,830	845,011	(838,881)	617,960
Depreciable assets:					
Structures and improvements		18,109,940	298,935	-	18,408,875
Equipment		655,819	115,822	-	771,641
Vehicles		384,130	41,891	-	426,021
Water rights and other intangibles		7,575,093	250,568	-	7,825,661
Total depreciable assets		26,724,982	707,216	-	27,432,198
Accumulated depreciation:		(12,692,533)	(375,761)	-	(13,068,294)
Total depreciable assets, net		14,032,449	331,455	-	14,363,904
Total capital assets, net	$	14,644,279			14,981,864

Major enterprise fund capital asset additions during fiscal year 2020, include additions to construction in progress of $845,011 that is comprised of capital project additions of $539,946 in various water fund projects, water rights and equipment and $305,065 in various wastewater fund projects and equipment. Of the $539,946 in water fund construction in progress additions, $131,665 related to well exploration test holes which was determined not to be capitalizable and expensed. Additions to depreciable assets sourcing from construction-in-progress include $115,822 added to equipment, $41,891 added to vehicles, and $250,568 added to water rights and other intangibles. There were no reported asset disposals in fiscal year 2020.

Depreciation expense was charged to various functions at June 30, 2020, as follows:

Governmental activities:		
General government	$	7,200
Property rental		56,284
Parks and Recreation		100,954
Recycle Fund		984
Total governmental activities	$	165,422
Business type activities:		
Water Fund	$	233,093
Wastewater Fund		142,466
Solid Waste Fund		202
Total business type activities	$	375,761

(5) Compensated Absences

Compensated absences comprise unpaid vacation leave that accrue when benefits are fully vested and are determined annually. Compensated absences turn-over each year, therefore, the compensated absence balance of the District is considered a current liability on the Statements of Net Position. The compensated absences for governmental funds will generally be liquidated through the general fund. The balance in the proprietary fund will be liquidated through the water fund.

The changes to compensated absences balances at June 30 were as follows:

Governmental:

	Balance 2019	Earned	Taken	Balance 2020	Due Within One Year	Due in more than one year
$	88,385	52,773	(30,799)	110,359	27,590	82,769

Enterprise:

	Balance 2019	Earned	Taken	Balance 2020	Due Within One Year	Due in more than one year
$	37,682	48,656	(39,584)	46,754	11,689	35,065

(6) Long-term Debt

Changes in long-term debt at June 30 were as follows:

		Balance 2019	Additions	Payments	Balance 2020
2008 Installment Sale Agreement	$	1,654,513	-	(146,976)	1,507,537
2011 Installment Sale Agreement		738,887	-	(43,126)	695,761
2014 Installment Sale Agreement		3,368,147	-	(157,404)	3,210,743
Total loan payable		5,761,547	-	(347,506)	5,414,041
Less: current portion		(347,506)			(362,348)
Total non-current portion	$	5,414,041			5,051,693

Long-term debt is allocated to the Governmental and Enterprise funds as follows at June 30, 2020, as follows:

		Governmental Funds		Total	Enterprise Funds		Total	Total
		Parks and Recreation	Property Rental	Governmental Funds	Water	Wastewater	Enterprise Funds	Long-term Debt
Balance at June 30, 2019	$	1,045,807	-	1,045,807	4,124,745	590,995	4,715,740	5,761,547
Additions / Transfers		(676,359)	676,359	-	-	-	-	-
Reductions		(21,567)	(60,085)	(81,652)	(213,359)	(52,495)	(265,854)	(347,506)
Balance at June 30, 2020	$	347,881	616,274	964,155	3,911,386	538,500	4,449,886	5,414,041
Current Portion	$	22,710	62,455	85,165	222,621	54,562	277,183	362,348
Non-current portion		325,171	553,819	878,990	3,688,765	483,938	4,172,703	5,051,693
Total	$	347,881	616,274	964,155	3,911,386	538,500	4,449,886	5,414,041

(6) Long-term Debt

2008 Installment Sale Agreement

On December 23, 2008, the District entered into an Installment Sale Agreement (Agreement) in order to finance, acquire and construct various capital improvements to the District in the amount $2,832,000 at an interest rate of 4.95%. The proceeds of the 2008 note were for the purpose of 1) reimbursement of a portion of the purchase price of land and improvements (Silver Lakes Farm property), including water rights acquisition, wastewater effluent disposal area, District administration site and recreation area, 2) improvements to the wastewater treatment plant, including the acquisition and installation of sludge drying beds, headworks and clarifier, and 3) improvements to the water system, including developing well #10, well improvements, and the purchase of additional water rights.

On December 23, 2014, the District entered into Amendment No. 2 for the purpose of reducing the interest and to produce cash flow savings to the District. The interest rate on the unpaid principal balance was reduced from 4.95% to 3.90%. The installment sale agreement is scheduled to mature on December 23, 2028. Principal and interest are payable semi-annually on June 23rd and December 23rd at an interest rate of 3.90%.

Annual debt service requirements on the installment agreement are as follows:

Fiscal Year	Principal	Interest	Total
2021	$ 152,765	57,319	210,084
2022	158,780	51,303	210,083
2023	165,033	45,050	210,083
2024	171,532	38,551	210,083
2025	178,287	31,796	210,083
2025-2029	681,140	54,154	735,294
Totals	1,507,537	278,173	1,785,710
Less: current portion	(152,765)		
Total non-current	$ 1,354,772		

2011 Installment Sale Agreement

On June 1, 2011, the District entered into an Installment Sale Agreement (Agreement) in order to finance, acquire and construct various capital improvements to the District in the amount $1,000,000 at an interest rate of 5.25%. The proceeds of the 2011 note were for the purpose of 1) the acquisition and construction of a water well and other water related projects, and 2) the purchase of the administrative facility.

The installment sale agreement is scheduled to mature on September 21, 2032. Principal and interest are payable semi-annually on September 21st and March 21st at an interest rate of 5.25%.

(6) Long-term Debt, continued

2011 Installment Sale Agreement, continued

Annual debt service requirements on the installment agreement are as follows:

Fiscal Year		Principal	Interest	Total
2021	$	45,419	35,939	81,358
2022		47,836	33,523	81,359
2023		50,380	30,979	81,359
2024		53,059	28,299	81,358
2025		55,882	25,477	81,359
2026-2030		327,284	79,511	406,795
2031-2032		115,901	6,136	122,037
Totals		695,761	239,864	935,625
Less: current portion		(45,419)		
Total non-current	$	650,342		

2014 Installment Sale Agreement

On August 1, 2014, the District entered into an Installment Sale Agreement (Agreement) in order to finance the acquisition of water rights for the District in the amount $4,000,000 at an interest rate of 4.25%.

The installment sale agreement is scheduled to mature on August 15, 2034. Principal and interest is payable semi-annually on August 15th and February 15th at an interest rate of 4.25%.

Annual debt service requirements on the installment agreement are as follows:

Fiscal Year		Principal	Interest	Total
2021	$	164,164	134,730	298,894
2022		171,216	127,680	298,896
2023		178,569	120,325	298,894
2024		186,240	112,656	298,896
2025		194,238	104,656	298,896
2026-2030		1,103,738	331,537	1,425,402
2031-2035		1,212,578	191,649	1,563,549
Totals		3,210,743	1,123,233	4,483,427
Less: current portion		(164,164)		
Total non-current	$	3,046,579		

(7) Defined Benefit Pension Plan

Plan Description

All qualified permanent and probationary employees are eligible to participate in the District's Miscellaneous Employee Pension Plan, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plan are established by State statute and District's 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.

(7) Defined Benefit Pension Plan

Benefits Provided, continued

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 10 years of service. The death benefit is one of the following: The Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

On September 12, 2012, the California Governor signed the California Public Employees' Pension Reform Act of 2013 (PEPRA) into law. PEPRA took effect January 1, 2013. The new legislation closed the District's CalPERS 2.7% at 55 Risk Pool Retirement Plan to new employee entrants effective December 31, 2012. For employees hired prior to January 1, 2013, who are current members of CalPERS or a reciprocal agency as of December 31, 2012, and have not been separated from service from such agency for more than six months, the retirement benefit is 2.7% @ 55 years of age; highest single year of compensation. All other employees hired on or after January 1, 2013, the retirement benefit is 2.0% @ 62 years of age; 3-year final compensation.

The Plans' provision and benefits in effect at June 30, 2020, are summarized as follows:

	Miscellaneous Plan	
	Classic	PEPRA
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.7% @ 55	2.0% @ 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.0% to 2.5%
Required employee contribution rates	7.954%	6.750%
Required employer contribution rates	12.514%	6.985%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates, for all public employers, be determined on an annual basis by the actuary and shall be effective on July 1 following notice of the change in rate. Funding contributions for the Plan is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

(7) Defined Benefit Pension Plan, continued

Net Pension Liability

For the fiscal year ended June 30, 2020, the contributions for the Plan were as follows:

		Miscellaneous Plan
Contributions – employer	$	124,441

Net Pension Liability

As of the fiscal year ended June 30, 2020, the District reported a net pension liability for its proportionate share of the net pension liability of each Plan as follows:

		Proportionate Share of Net Pension Liability		
		Governmental	Enterprise	Total
Miscellaneous Plan	$	153,724	230,587	384,311

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, 2019 (the measurement date), 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, 2018 (the valuation date), rolled forward to June 30, 2019, using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined

The District's proportionate share of the pension liability for the Plan as of the fiscal year ended June 30, 2020, was as follows:

	Miscellaneous Plan
Proportion – June 30, 2019	0.00341%
Proportion – June 30, 2020	0.00375%
Change – Increase (Decrease)	0.00034%

(7) Defined Benefit Pension Plan, continued

Deferred Pension Outflows (Inflows) of Resources

For the fiscal year ended June 30, 2020, the District recognized pension expense of $199,939.

At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description		Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to the measurement date	$	124,441	-
Net differences between actual and expected experience		24,632	-
Net changes in assumptions		11,833	-
Net differences between projected and actual earnings on plan investments		-	(6,721)
Net differences between actual contribution and proportionate share of contribution		48,234	-
Net adjustment due to differences in proportions of net pension liability		64,521	-
Total	$	273,661	(6,721)

As of June 30, 2020, employer pension contributions reported as deferred outflows of resources related to contributions subsequent to the measurement date of $124,441 will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2021.

At June 30, 2020, the District recognized other amounts reported as deferred outflows of resources and deferred inflows of resources related to the pension liability, which will be recognized as pension expense as follows.

Fiscal Year Ending June 30,		Deferred Net Outflows/(Inflows) of Resources
2019	$	114,265
2020		6,852
2021		19,118
2022		2,264

(7) Defined Benefit Pension Plan, continued

Actuarial Assumptions

The total pension liability in the June 30, 2019, actuarial valuation report was determined using the following actuarial assumptions:

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Actuarial cost method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial assumptions:	
Discount rate	7.15%
Inflation	2.50%
Salary increases	Varies by Entry Age and Service
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes inflation
Mortality Rate Table*	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter

* The mortality table used above was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 Experience Study report. Further details of the Experience Study can be found on the CalPERS website.

Discount Rate

The discount rate used to measure the total pension liability was 7.15% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, the amortization and smoothing periods recently adopted by CalPERS were utilized. The crossover test was performed for a miscellaneous agent plan and a safety agent plan selected as being more at risk of failing the crossover test and resulting in a discount rate that would be different from the long-term expected rate of return on pension investments.

Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Plan.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of 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 returns were calculated over the short-term (first 10 years) and the long-term (11-60 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 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 equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

(7) Defined Benefit Pension Plan, continued

Discount Rate, continued

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

Asset Class	New Strategic Allocation	Real Return Years 1–10*	Real Return Year 11+**
Global Equity	50.00%	4.80%	5.98%
Global Fixed Income	28.00%	1.00%	2.62%
Inflation Sensitive	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
Total	100.00%		

* An expected inflation of 2.5% used for this period
** An expected inflation of 3.0% used for this period

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

The following table presents the District's proportionate share of the net position liability for the Plan, calculated using the discount rate, as well as what the District's proportional share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

At June 30, 2020, the discount rate comparison was the following:

	Discount Rate - 1% 6.15%	Current Discount Rate 7.15%	Discount Rate + 1% 8.15%
District's Net Pension Liability	$ 728,766	384,311	99,988

Payable to the Pension Plan

At June 30, 2020, the District reported $0 in payables for the outstanding amount of contribution to the pension plan.

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in separately issued CalPERS financial reports. See pages 57 through 58 for the Required Supplementary Schedules.

(8) Net Position

Net investment in capital assets is calculated as follows:

		Governmental Activities	Business-type Activities	Total
Capital assets – not being depreciated	$	307,702	617,960	925,662
Capital assets – being depreciated, net		2,200,624	14,363,904	16,564,528
Long-term debt – current portion		(85,165)	(277,183)	(362,348)
Long-term debt – long-term portion		(878,990)	(4,172,703)	(5,051,693)
Total	$	1,544,171	10,531,978	12,076,149

Unrestricted net position is designated as follows:

		Governmental Activities	Business-type Activities	Total
General	$	(429,279)	-	(429,279)
Materials and supplies inventory		-	842,007	842,007
Prepaid expenses and other assets		9,668	11,002	20,670
Water operations and capital replacement		-	5,530,237	5,530,237
Total	$	(419,611)	6,383,246	5,963,635

(9) Internal Balances – Interfund Transfers

Interfund transfers consist of the following for the year ended June 30, 2020:

Transfer from	Transfer to	Purpose		Amount
Interfund Administrative Allocation Transfers:				
Water	General	Admin Allocation	$	490,617
Wastewater	General	Admin Allocation		480,805
Solid Waste	General	Admin Allocation		9,813
		Subtotal administrative allocation transfers	$	981,235
Interfund Board Discretionary Transfers:				
General	Parks & Rec	Board Discretionary	$	339,030
		Subtotal board discretionary transfers	$	339,030
Interfund Operational Transfers:				
Property Rental	Parks & Rec	Operations	$	58,576
Recycle	Parks & Rec	Operations		79,501
		Subtotal operational transfers	$	138,077
Interfund Debt Transfers:				
Property Rental	Parks & Rec	Debt	$	85,838
		Subtotal debt transfers	$	85,838
	Total		$	1,544,180

(9) Internal Balances – Interfund Transfers, continued

Interfund Admin Allocation Transfers

During the fiscal year ended June 30, 2020 administrative allocation balance transfers between the Water, Wastewater, and the Solid Waste funds were transferred to General fund upon the closing of the District's books. The District's methodology of allocating the equity/fund balance of the General fund, was 50%, 49% and 1%, to the Water, Wastewater and Solid Waste funds respectively.

Interfund Board Discretionary Transfers

During the fiscal year ended June 30, 2020, interfund transfers between the Parks and Recreation and Recycle funds to the General fund were designated by the Board to transfer any funds remaining from current fiscal years operations. The funds were transferred accordingly.

Interfund Operational Transfers

During the fiscal year ended June 30, 2020, interfund transfers between the General and Parks and Recreation funds were designated by the Board to utilize resources from General fund revenue to help balance the Parks and Recreation fund budget. The funds were transferred accordingly.

Interfund Debt Transfers

During the fiscal year ended June 30, 2020, interfund debt transfers between the Parks and Recreation and Property Rental funds were transferred by the Board to move the debt related to the Property Rental fund to where it is budgeted. The funds were transferred accordingly.

(10) Fund Balance

Fund balances are presented in the following categories: non-spendable, restricted, committed, assigned, and unassigned (See Note 1.C.16 for a description of these categories). Fund balances and their funding composition at June 30, 2020, is as follows:

Fund Balance Category		
Assigned:		
Parks and recreation	$	(461,676)
Recycle		(10,248)
Total assigned fund balance		(471,924)
Unassigned fund balance:		
General fund		(804,004)
Property rental		37,859
Total unassigned fund balance		(766,145)
Total fund balance	$	(1,238,069)

(11) Adjustment to Net Position

Administrative Allocation – June 30, 2019

In fiscal year 2020, the District determined that the administrative allocation used to transfer fund activity between the Water, Wastewater, and the Solid Waste funds and the General fund upon the closing of the District's books was grouped on the Statements of Net Position in the prior year in Due To / From instead of being grouped on the Statements of Activities for the governmental and Enterprise funds in the Transfers In / Out categories where the allocation was intended. Accordingly, the fund balance of the affected funds were adjusted, for the prior year administrative allocation of $978,812.

Grant Receivable – U.S. Department of Interior – Land and Water Conservation Fund

In fiscal year 2020, the District determined that had not recorded a grant receivable related to an agreement between the District and U.S. Department of Interior – Land and Water Conservation Fund for the purpose of a Parks and Recreation improvement project expended during the fiscal year ended June 30, 2018. The District recorded a prior period adjustment, an increase to net position, to record the grant receivable of $132,600.

	Governmental Activities	Business-type Activities	Total
Net position at July 1, 2018, as previously stated	$ 575,031	14,347,107	$ 14,922,138
General:			
Effect of adjustment to reclassify fiscal year 2019 admin allocation from due to/from to transfers in(out)	978,812	-	978,812
Water:			
Effect of adjustment to reclassify fiscal year 2019 admin allocation from due to/from to transfers in(out)	-	(489,406)	(489,406)
Wastewater:			
Effect of adjustment to reclassify fiscal year 2019 admin allocation from due to/from to transfers in(out)	-	(479,618)	(479,618)
Solid waste:			
Effect of adjustment to reclassify fiscal year 2019 admin allocation from due to/from to transfers in(out)	-	(9,788)	(9,788)
Parks and recreation:			
Effect of adjustment to record grant receivable	132,600	-	132,600
Subtotal adjustments to net position	1,111,412	(978,812)	132,600
Net position at July 1, 2018, as restated	1,686,443	13,368,295	15,054,738
Change in net position	(684,362)	2,112,337	1,427,975
Net position at July 1, 2019, as restated	$ 1,002,081	15,480,632	$ 16,482,713

(12) Deferred Compensation Savings Plan

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

(12) Deferred Compensation Savings Plan, continued

Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of the participants. Accordingly, the District is in compliance with this legislation. Therefore, these assets are not the legal property of the District and are not subject to claims of the District's general creditors. Market value of the plan assets held in trust as of June 30, 2020, was $437,290.

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

(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 arrange and administer programs of self-insured losses and to purchase excess insurance coverage.

At June 30, 2020, the District participated in the liability and property programs of the SDRMA as follows:

- General and auto liability, personal injury and property damage, public officials' and employees' errors and omissions, up to $5,000,000 for each wrongful act.

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

- Employee and Public officials' dishonesty coverage up to $1,000,000 per loss includes public employee or officials' dishonesty, forgery or alteration and theft, disappearance and destruction coverage.
- Property loss is paid at the replacement cost for property on file, if replaced within three years after the loss, otherwise paid on an actual cash value basis, to a combined member (pool) total of $1.0 billion per occurrence, subject to a $1,000 deductible per occurrence.
- Boiler and machinery coverage for the replacement cost up to $100 million per occurrence, subject to a $1,000 deductible per occurrence, unless otherwise specified.
- 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, subject to a $500 deductible per claim.
- Workers compensation insurance with statutory limits per occurrence and Employer's Liability Coverage up to $5 million.

Settled claims have not exceeded any of the coverage amounts in the last fiscal years. There were no reductions in insurance coverage in fiscal year 2020. 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 claim payables as of June 30, 2020.

(14) Governmental Accounting Standards Board Statements Issued, Not Yet Effective

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2020, that has effective dates that may impact future financial presentations.

The following pronouncement implementation dates have been delayed due to the COVID-19 pandemic.

Governmental Accounting Standards Board Statement No. 84

In January 2017, the GASB issued Statement No. 84 – *Fiduciary Activities.* The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

The requirements of this Statement were effective for reporting periods beginning after December 15, 2018; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 87

In June 2017, the GASB issued Statement No. 87 – *Leases.* The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement were effective for reporting periods beginning after December 15, 2019; however, in light of the COVID-19 pandemic, the effective date has been postponed by 18 months. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 89

In June 2018, the GASB issued Statement No. 89 – *Accounting for Interest Cost incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

(14) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued

Governmental Accounting Standards Board Statement No. 89, continued

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The requirements of this Statement were effective for reporting periods beginning after December 15, 2019; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

Governmental Accounting Standards Board Statement No. 90

In August 2018, the GASB issued Statement No. 90 – *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

(14) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued

Governmental Accounting Standards Board Statement No. 90, continued

The requirements of this Statement were effective for reporting periods beginning after December 15, 2018; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year.

Earlier application is encouraged. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

Governmental Accounting Standards Board Statement No. 91

In May 2019, the GASB issued Statement No. 91 – *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

The requirements of this Statement were effective for reporting periods beginning after December 15, 2020; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 92

In January 2020, the GASB issued Statement No. 92 – *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements.

(14) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued

Governmental Accounting Standards Board Statement No. 92, continued

The requirements of this Statement were as follows: (1) The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance; (2) The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2020; (3) The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2020; and (4) The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2020; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged and is permitted by topic.

Governmental Accounting Standards Board Statement No. 93

In March 2020, the GASB issued Statement No. 93 – *Replacement of Interbank Offered Rates*. The objective of this Statement is to address accounting and financial reporting implications that result from the replacement of an IBOR. This Statement achieves that objective by: (1) Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment; (2) Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate; (3) Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable; (4) Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap; (5) Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap; (6) Clarifying the definition of reference rate, as it is used in Statement 53, as amended; and (7) Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

The requirements of this Statement were effective as follows: (1) The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021; and (2) All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020; however, in light of the COVID-19 pandemic, the effective dates have been postponed by one year. Earlier application is encouraged.

(14) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued

Governmental Accounting Standards Board Statement No. 94

In March 2020, the GASB issued Statement No. 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 96

In May 2020, the GASB issued Statement No. 96 – *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

(14) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued

Governmental Accounting Standards Board Statement No. 97

In June 2020, the GASB issued Statement No. 97 – *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 41 and No. 84, and a supersession of GASB Statement No. 32.* The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement. The Board considered the effective dates for the requirements of this Statement in light of the COVID-19 pandemic and in concert with Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance.

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2019 that have effective dates that may impact future financial presentations.

(15) Commitments and Contingencies

Grant Awards

Grant funds received by the District are subject to audit by the grantor agencies. Such an audit could lead to requests for reimbursements to the grantor agencies for expenditures disallowed under terms of the grant. Management of the District believes that such disallowances, if any, would not be significant.

(15) Commitments and Contingencies, continued

Litigation

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

COVID-19 Pandemic

In December 2019, a novel strain of coronavirus has spread around the world resulting in business and social disruption. The coronavirus was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. The operations and business results of the District could potentially be adversely affected by this global pandemic. The extent to which the coronavirus may impact business activity or investment results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain the coronavirus. The District has not included any contingencies in the financial statements specific to this issue.

(16) Subsequent Events

Events occurring after June 30, 2020, have been evaluated for possible adjustment to the financial statements or disclosure as of December 3, 2020, which is the date the financial statements were available to be issued. The District is not aware of any further subsequent events that would require recognition or disclosure in the financial statements.

COMMUNITY SERVICES DISTRICT

HELENDALE

Required Supplementary Information

Helendale Community Services District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual – General Fund
For the Year Ended June 30, 2020

	Final Budgeted Amounts	Actual Amounts	Variance Positive (Negative)
Revenues:			
Property taxes	$ 99,458	121,889	22,431
Charges for services	144,552	147,024	2,472
Investment earnings	77,000	86,840	9,840
Rental income	144,838	159,292	14,454
Other	20,200	31,824	11,624
Total revenues	486,048	546,869	60,821
Expenditures:			
Salaries and benefits	705,969	708,073	(2,104)
Materials and services	413,367	406,852	6,515
Utilities	26,316	58,251	(31,935)
Total expenditures	1,145,652	1,173,176	(27,524)
Excess of revenues over expenditures	(659,604)	(626,307)	33,297
Other financing sources(uses):			
Transfers in(out) – board discretionary	(323,418)	(339,030)	(15,612)
Transfers in(out) – operational	983,022	981,235	(1,787)
Total other financing sources	659,604	642,205	(17,399)
Net change in fund balance	-	15,898	$ 15,898
Fund balance – beginning of period	(817,360)	(817,360)	
Fund balance – end of period	$ (817,360)	177,350	

Helendale Community Services District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual – Property Rental Fund
For the Year Ended June 30, 2020

	Final Budgeted Amounts	Actual Amounts	Variance Positive (Negative)
Revenues:			
Rental income	$ 110,098	129,117	19,019
Total revenues	110,098	129,117	19,019
Expenditures:			
Materials and services	18,000	8,772	9,228
Utilities	6,216	5,485	731
Debt payments	85,882	60,085	25,797
Total expenditures	110,098	74,342	35,756
Excess of revenues over expenditures	-	54,775	54,775
Other financing sources(uses):			
Transfers in(out) – operational	-	(58,576)	(58,576)
Total other financing sources	-	(58,576)	(58,576)
Net change in fund balance	-	(3,801)	$ (3,801)
Fund balance – beginning of period	(18,425)	(18,425)	
Fund balance – end of period	$ (18,425)	(22,226)	

Helendale Community Services District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual – Parks and Recreation Fund
For the Year Ended June 30, 2020

		Final Budgeted Amounts	Actual Amounts		Variance Positive (Negative)
Revenues:					
Property taxes	$	16,600	16,395		(205)
Charges for services		27,200	20,247		(6,953)
Grant revenue		130,000	-		(130,000)
Rental income		35,100	36,028		928
Other		13,940	26,649		12,709
Total revenues		222,840	99,319		(123,521)
Expenditures:					
Salaries and benefits		138,127	104,185		33,942
Materials and services		116,622	124,879		(8,257)
Utilities		27,064	35,235		(8,171)
Capital outlay		-	32,139		(32,139)
Debt payments		40,679	21,567		19,112
Interest paid		-	18,807		(18,807)
Total expenditures		322,492	336,812		(14,320)
Excess of revenues (under) expenditures		(99,652)	(237,493)		(137,841)
Other financing sources(uses):					
Transfers in(out) – board discretionary		420,668	339,030		(81,638)
Transfers in(out) – operational		(42,100)	138,077		180,177
Total other financing sources		378,568	477,107		98,539
Net change in fund balance		278,916	239,614	$	(39,302)
Fund balance – beginning of period – as restated		(615,452)	(615,452)		
Fund balance – end of period	$	(336,536)	(375,838)		

Helendale Community Services District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual – Recycling Fund
For the Year Ended June 30, 2020

		Final Budgeted Amounts	Actual Amounts		Variance Positive (Negative)
Revenues:					
Recycling	$	294,000	228,227		65,773
Capital grants		-	10,000		(10,000)
Total revenues		294,000	238,227		55,773
Expenditures:					
Salaries and benefits		167,741	124,543		43,198
Materials and services		32,221	25,881		6,340
Utilities		19,098	8,214		10,884
Capital outlay		-	10,736		(10,736)
Total expenditures		219,060	169,374		49,686
Excess of revenues (under) expenditures		74,940	68,853		6,087
Other financing sources(uses):					
Transfers in(out) – operational		(74,940)	(79,501)		(4,561)
Total other financing sources		(74,940)	(79,501)		(4,561)
Net change in fund balance		-	(10,648)	$	1,526
Fund balance – beginning of period		400	400		
Fund balance – end of period	$	400	(10,248)		

Helendale Community Service District
Notes to the Required Supplementary Information
June 30, 2020

Basis of Budgeting

The District follows specific procedures in establishing the budgetary data reflected in the financial statements. Each year, the District's General Manager prepares and submits a capital and operating budget to the Board of Directors and adopted no later than June of each year. Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all government and proprietary funds. Annual budgets are adopted on the modified accrual basis of accounting for government fund types and accrual basis for the proprietary fund. The adopted budget becomes operative on July 1.

The Board of Directors must approve all supplemental appropriations to the budget and transfers between major funds. The legal level of budgetary control is at the fund level. Budget information is presented as required supplementary information for the General, Property Rental, Parks and Recreation, and Recycling Funds.

Helendale Community Service District
Schedules of the District's Proportionate Share of the Net Pension Liability
As of June 30, 2020
Last Ten Years*

	Fiscal Year Ended June 30, 2020	Fiscal Year Ended June 30, 2019	Fiscal Year Ended June 30, 2018	Fiscal Year Ended June 30, 2017	Fiscal Year Ended June 30, 2016	Fiscal Year Ended June 30, 2015
District's Proportion of the Net Pension Liability	0.00375%	0.00341%	0.00346%	0.00316%	0.00318%	0.00331%
District's Proportionate Share of the Net Pension Liability	$ 384,311	328,486	343,160	273,741	218,114	205,731
District's Covered Payroll	$ 932,536	889,614	929,497	866,792	826,711	734,459
District's proportionate share of the net pension liability as a Percentage of its Covered Payroll	41.21%	36.92%	36.92%	31.58%	26.38%	28.01%
District's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	84.99%	84.79%	81.93%	82.25%	81.89%	77.99%
District's Proportionate Share of Aggregate Employer Contributions	$ 90,191	69,779	58,889	47,227	34,125	19,713

Notes:

***Changes in Benefit Terms* –** For the measurement date June 30, 2019, there were no changes in the benefit terms.

***Changes of Assumptions* –** For the measurement date June 30, 2019, there were no changes in the assumptions.

* The District has presented information for those years for which information is available until a full 10-year trend is compiled.

Helendale Community Service District
Schedules of Pension Plan Contributions (CalPERS)
As of June 30, 2020
Last Ten Years*

Schedule of Pension Plan Contributions:		Fiscal Year Ended June 30, 2020	Fiscal Year Ended June 30, 2019	Fiscal Year Ended June 30, 2018	Fiscal Year Ended June 30, 2017	Fiscal Year Ended June 30, 2016	Fiscal Year Ended June 30, 2015
Actuarially Determined Contribution	$	132,216	126,313	112,597	108,682	97,754	159,159
Contributions in Relation to the Actuarially Determined Contribution		(124,441)	(117,181)	(107,488)	(108,682)	(97,754)	(159,159)
Contribution Deficiency (Excess)	$	7,775	9,132	5,109	-	-	-
Covered Payroll	$	932,536	889,614	929,497	866,792	826,711	734,459
Contribution's as a percentage of Covered Payroll		14.18%	14.20%	12.11%	12.54%	11.82%	21.67%

Note:

* The District has presented information for those years for which information is available until a full 10-year trend is compiled.

COMMUNITY SERVICES DISTRICT

HELENDALE

Report on Compliance and Internal Controls

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Directors
Helendale Community Services District
Helendale, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Helendale Community Services District (District), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 3, 2020.

Internal Control Over Financial Reporting

In planning and performing our audits 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 opinion 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Independent Auditor's Report on Internal Controls Over Financial Reporting And on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards, (continued)*

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 audits, 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.

Fedak & Brown LLP
Cypress, California
December 3, 2020

Helendale Community Services District

Management Report

June 30, 2020

Helendale Community Services District

Management Report

Table of Contents

CONFIDENTIAL

Board of Directors
Helendale Community Services District
Helendale, California

Dear Members of the Board:

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; and the State Controller's Minimum Audit Requirements for California Special Agency's, the basic financial statements of the Helendale Community Services District (District) as of and for the year ended June 30, 2020, 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 opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of District 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 entity'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 period described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weakness or, significant deficiencies. Given these limitations during our audit we did not identify any deficiencies in internal control to be material weaknesses. However, material weaknesses may exist that have not been identified.

Our comments, all of which have been discussed with the appropriate members of management, are summarized as follows:

Summary of Current Year Comments and Recommendations

Disclosure of Audit Adjustments and Reclassifications

As your external auditor, we assume that the books and records of the District are properly adjusted before the audit begins. In many cases, however, audit adjustments and reclassifications are made in the normal course of the audit process to present the District's financial statements in conformity with accounting principles generally accepted in the United States of America or for comparison purposes with the prior year. For the Board of Directors to gain a full and complete understanding and appreciation of the scope and extent of the audit process these adjustments varied throughout the engagement. These entries were made during the engagement directly between audit fieldwork and during the production and translation of the trial balance comparative to prior year. The adjustments are attached at the end of the Audit/Finance Committee Letter. There can be very reasonable explanations for situations of having numerous adjustments as well as having no adjustments at all. However, the issue is simply disclosure of the adjustments and reclassifications that were made and to provide the Board of Directors with a better understanding of the scope of the audit.

Management's Response

We have reviewed and approved all of the audit adjustment and reclassification entries and have entered them into the general ledger of the District as of June 30, 2020.

Status of Comments and Recommendations Made in the Previous Year

Disclosure of Audit Adjustments and Reclassifications

As your external auditor, we assume that the books and records of the District are properly adjusted before the audit begins. In many cases, however, audit adjustments and reclassifications are made in the normal course of the audit process to present the District's financial statements in conformity with accounting principles generally accepted in the United States of America or for comparison purposes with the prior year. For the Board of Directors to gain a full and complete understanding and appreciation of the scope and extent of the audit process these adjustments varied throughout the engagement. These entries were made during the engagement directly between audit fieldwork and during the production and translation of the trial balance comparative to prior year. The adjustments are attached at the end of the prior year Audit/Finance Committee Letter. There can be very reasonable explanations for situations of having numerous adjustments as well as having no adjustments at all. However, the issue is simply disclosure of the adjustments and reclassifications that were made and to provide the Board of Directors with a better understanding of the scope of the audit.

Management's Response

We have reviewed and approved all of the audit adjustment and reclassification entries and have entered them into the general ledger of the District as of June 30, 2019.

* * * * * * * * * * *

This report is intended solely for the information and use of management and the Board of Directors of the District. This restriction is not intended to limit the distribution of this letter, which is a matter of public record.

We appreciate the courtesy and cooperation extended to us during our examination. We would be pleased to discuss the contents of this letter with you at your convenience. Please do not hesitate to contact us.

Fedak & Brown LLP
Cypress, California
December 3, 2020

APPENDIX

Helendale Community Services District

Audit/Finance Committee Letter

June 30, 2020

Board of Directors
Helendale Community Services District
Helendale, California

We have audited the basic financial statements of the Helendale Community Services District (District) for the year ended June 30, 2020 and have issued our report thereon dated December 3, 2020. Generally accepted auditing standards require that we provide the Governing Board and management with the following information related to our audit of the District's basic financial statements.

Auditor's Responsibility under United States Generally Accepted Auditing Standards

As stated in our Audit Engagement Letter dated February 7, 2020, our responsibility, as described by professional standards, is to express an opinion about whether the basic financial statements prepared by management with oversight of the Governing Board are fairly presented, in all material respects, in conformity with United States generally accepted accounting principles. Our audit of the financial statements does not relieve the Governing Board or management of its responsibilities of oversight in the District's external financial reporting process or any other processes.

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Governmental Auditing Standards*.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing requirements previously communicated to management.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the basic financial statements.

We noted no transactions entered into by the District during fiscal year 2020 for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Management's Judgments, Accounting Estimates and Financial Disclosures

Accounting estimates play an integral part in the preparation of basic financial statements by management and are based upon management's knowledge, experience and current judgments about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the basic financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the position in the basic financial statements are:

> Management's estimate of the fair value of cash and investments is based on information provided by financial institutions. We evaluated the key factors and assumptions used to develop the fair value of cash and investments in determining that it is reasonable in relation to the financial statements taken as a whole.
>
> Management's estimate of capital assets depreciation is based on historical estimates of each capitalized item's useful life expectancy or cost recovery period. We evaluated the key factors and assumptions used to develop the capital asset depreciation calculations in determining that they are reasonable in relation to the financial statements taken as a whole.
>
> Management's estimate of the defined benefit pension plan's deferred outflows of resources, net pension liability, and deferred inflows of resources are based on an actuarial evaluation of these amounts which was conducted by a third-party actuary. We evaluated the basis, actuarial methods and assumptions used by the actuary to calculate these amounts for the District to determine that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the basic financial statements are neutral, consistent and clear. Certain basic financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure(s) affecting the basic financial statements is (are):

> The disclosure of fair value of cash and investments in Note 2 to the basic financial statements represents amounts susceptible to market fluctuations.
>
> The disclosure of capital assets, net in Note 4 to the basic financial statements is based on historical information which could differ from actual useful lives of each capitalized item.
>
> The disclosure of the District's defined benefit pension plan in Note 8 to the basic financial statements is based on actuarial assumptions which could differ from actual costs.

Corrected and Uncorrected Misstatements

Professional Standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, certain misstatements detected as a result of audit procedures, were determined to be material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole. The audit adjustments are noted in the schedule of audit adjustments attached to the end of this report.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves the application of an accounting principal to the District's basic financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditor. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Disagreements with Management

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction that could be significant to the basic financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit of the District.

Management Representations

We have requested certain representations from management that are included in the Management Representational Letter to the Auditor dated December 3, 2020.

Conclusion

We appreciate the cooperation extended us by Kimberly Cox, General Manager in the performance of our audit testwork.

We will be pleased to respond to any question you have about the foregoing. We appreciate the opportunity to continue to be of service to the District.

Restriction on Use

This report is intended solely for the information and use of the Board of Directors and management and is not intended to be and should not be used by anyone other than the specified, parties. This restriction is not intended to limit the distribution of this letter, which is a matter of public record.

Fedak & Brown LLP
Cypress, California
December 3, 2020

Helendale Community Services District
Schedule of Audit Adjusting Journal Entries
June 30, 2020

Account	Description	Debit	Credit
Adjusting Journal Entries			
Adjusting Journal Entries JE # 1			
AJE - To reverse PPA made twice in error for Grant Receivable at June 30, 2020.			
05-310000	Unrestricted	132,600.00	
05-124000	Grant Receivable		132,600.00
Total		**132,600.00**	**132,600.00**
Adjusting Journal Entries JE # 2			
AJE - To adjust cash on G/L based on review of bank statement and bank reconciliation at June 30, 2020.			
99-111500	Cash in CBB - Sweep	4,509,163.12	
99-111000	Cash in CBB - Checking		4,509,163.12
Total		**4,509,163.12**	**4,509,163.12**
Adjusting Journal Entries JE # 3			
AJE - To accrue June payables (Check 23287 and 23440) noted during Search for Unrecorded Liabilities at June 30, 2020.			
01-510002-00-0	Workers Compensation	5,491.86	
01-521000-00-0	Laboratory Analysis	3,692.50	
02-510002-00-0	Workers Compensation	4,780.84	
03-510002-00-0	Workers Compensation	897.44	
05-510002-00-0	Workers Compensation	2,544.07	
06-510000-00-0	PERS Retirement	1,187.27	
10-510002-00-0	Workers Compensation	813.27	
01-211050	Accrued Payables		3,692.50
01-211050	Accrued Payables		5,491.86
02-211050	Accrued Payables		4,780.84
03-211050	Accrued Payables		897.44
05-211050	Accrued Payables		2,544.07
06-211050	Accrued Payables		1,187.27
10-211050	Accrued Payables		813.27
Total		**19,407.25**	**19,407.25**
Adjusting Journal Entries JE # 4			
GASB 68 Entry #1 - To reclassify 2019 contributions to NPL at June 30, 2020.			
01-280000	Net Pension Liability	36,327.00	
02-280000	Net Pension Liability	25,780.00	
05-280000	Net Pension Liability	1,171.00	
06-280000	Net Pension Liability	8,202.00	
10-280000	Net Pension Liability	45,701.00	
01-190200	D/O - Employer Pension Contributions		36,327.00
02-190200	D/O - Employer Pension Contributions		25,780.00
05-190200	D/O - Employer Pension Contributions		1,171.00
06-190200	D/O - Employer Pension Contributions		8,202.00
10-190200	D/O - Employer Pension Contributions		45,701.00
Total		**117,181.00**	**117,181.00**

Helendale Community Services District
Schedule of Audit Adjusting Journal Entries
June 30, 2020

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 5			
GASB 68 Entry #2 - To reclassify 2020 contributions to Deferred Outflows of Resources at June 30, 2020.			
01-190200	D/O - Employer Pension Contributions	38,577.00	
02-190200	D/O - Employer Pension Contributions	27,377.00	
05-190200	D/O - Employer Pension Contributions	1,244.00	
06-190200	D/O - Employer Pension Contributions	8,711.00	
10-190200	D/O - Employer Pension Contributions	48,532.00	
01-510100-00-0	Actuarial Pension Expense Adjustment		38,577.00
02-510100-00-0	Actuarial Pension Expense Adjustment		27,377.00
05-510100-00-0	Actuarial Pension Expense Adjustment		1,244.00
06-510100-00-0	Actuarial Pension Expense Adjustment		8,711.00
10-510100-00-0	Actuarial Pension Expense Adjustment		48,532.00
Total		**124,441.00**	**124,441.00**
Adjusting Journal Entries JE # 6			
GASB 68 Entry #3 - To record changes in pension liability during FY18/19 at June 30, 2020.			
01-190000	Deferred Outflows - Pension Related	28,183.00	
01-290000	Deferred Inflows - Pension Related	4,012.00	
01-510100-00-0	Actuarial Pension Expense Adjustment	21,940.00	
02-190000	Deferred Outflows - Pension Related	20,000.00	
02-290000	Deferred Inflows - Pension Related	2,847.00	
02-510100-00-0	Actuarial Pension Expense Adjustment	15,570.00	
05-190000	Deferred Outflows - Pension Related	909.00	
05-290000	Deferred Inflows - Pension Related	131.00	
05-510100-00-0	Actuarial Pension Expense Adjustment	708.00	
06-190000	Deferred Outflows - Pension Related	6,365.00	
06-290000	Deferred Inflows - Pension Related	906.00	
06-510100-00-0	Actuarial Pension Expense Adjustment	4,954.00	
10-190000	Deferred Outflows - Pension Related	35,456.00	
10-290000	Deferred Inflows - Pension Related	5,048.00	
10-510100-00-0	Actuarial Pension Expense Adjustment	27,601.00	
01-190000	Deferred Outflows - Pension Related		503.00
01-280000	Net Pension Liability		53,632.00
02-190000	Deferred Outflows - Pension Related		357.00
02-280000	Net Pension Liability		38,060.00
05-190000	Deferred Outflows - Pension Related		17.00
05-280000	Net Pension Liability		1,731.00
06-190000	Deferred Outflows - Pension Related		114.00
06-280000	Net Pension Liability		12,111.00
10-190000	Deferred Outflows - Pension Related		633.00
10-280000	Net Pension Liability		67,472.00
Total		**174,630.00**	**174,630.00**

Helendale Community Services District
Schedule of Audit Adjusting Journal Entries
June 30, 2020

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 7			
GASB 68 Entry #4 - To record changes in the deferred outflows and deferred inflows (amortization) during FY18/19 at June 30, 2020.			
01-510100-00-0	Actuarial Pension Expense Adjustment	40,041.00	
02-510100-00-0	Actuarial Pension Expense Adjustment	28,417.00	
05-510100-00-0	Actuarial Pension Expense Adjustment	1,291.00	
06-510100-00-0	Actuarial Pension Expense Adjustment	9,042.00	
10-510100-00-0	Actuarial Pension Expense Adjustment	50,375.00	
01-190000	Deferred Outflows - Pension Related		33,945.00
01-290000	Deferred Inflows - Pension Related		6,096.00
02-190000	Deferred Outflows - Pension Related		24,091.00
02-290000	Deferred Inflows - Pension Related		4,326.00
05-190000	Deferred Outflows - Pension Related		1,094.00
05-290000	Deferred Inflows - Pension Related		197.00
06-190000	Deferred Outflows - Pension Related		7,665.00
06-290000	Deferred Inflows - Pension Related		1,377.00
10-190000	Deferred Outflows - Pension Related		42,706.00
10-290000	Deferred Inflows - Pension Related		7,669.00
Total		**129,166.00**	**129,166.00**
Adjusting Journal Entries JE # 8			
AJE - To adjust fund balance for reconciliation difference at June 30, 2020.			
02-554600-00-0	Small Tools	900.00	
10-720000-00-0	Other Expense	119.00	
02-310000	Unrestricted		900.00
10-310000	Unrestricted		119.00
Total		**1,019.00**	**1,019.00**
Adjusting Journal Entries JE # 9			
CPE - To move debt from Parks and Rec fund to Property Rental fund: 1) To reclass debt liabilities to proper fund, 2) To reclassiofy Debt Service & Interest Expense to proper fund, 3) To interest payable to proper fund.			
04-595001-00-0	Interest Expense	25,753.09	
04-800000-00-4	Debt Service - Rental Property	60,088.67	
04-999800	Interfund Transfer In	616,274.44	
04-999800-00-0	Interfund Transfer In	459.72	
05-211100	Interest Payable - Park	459.72	
05-225001	CNB Loan #08-073 - CURRENT PORTION	62,454.98	
05-230000	CNB Loan #08-073	553,819.46	
05-800100-00-3	Debt Service Reversal - Comm Ctr	60,088.67	
05-999900-00-0	Interfund Transfer Out/(In)	25,753.09	
04-211100	Interest Payable - Property Rental		459.72
04-225000	LT Debt Current Portion		62,454.98
04-230000	CNB Loan #08-073		553,819.46
04-800100-00-4	Debt Service - Reversal		60,088.67
04-999800-00-0	Interfund Transfer In		25,753.09
05-595001-00-0	Interest Expense		25,753.09
05-800000-00-3	Debt Service - Community Center		60,088.67
05-999800-00-0	Interfund Transfer In		616,274.44
05-999800-00-0	Interfund Transfer In		459.72
Total		**1,405,151.84**	**1,405,151.84**
	Total Adjusting Journal Entries	**6,612,759.21**	**6,612,759.21**

Helendale Community Services District
Schedule of Audit Adjusting Journal Entries
June 30, 2020

Account	Description	Debit	Credit
Proposed Journal Entries			
Proposed Journal Entries JE # 100			
PAJE - To clear stale deposit related to a construction water meter at June 30, 2020.			
01-220000	Customer Deposits	1,500.00	
99-250000	Due To Other Funds	1,500.00	
01-100000	Cash in Bank - Water		1,500.00
99-111000	Cash in CBB - Checking		1,500.00
Total		**3,000.00**	**3,000.00**
	Total Proposed Journal Entries	**3,000.00**	**3,000.00**
	Total All Journal Entries	**6,615,759.21**	**6,615,759.21**

Legend:

AJE	Audit Adjusting Journal Entry
GASB 68 Entry	Sixth Year Implementation of GASB 68
CPE	District Prepared Adjusting Journal Entry
PAJE	Proposed Adjusting Journal Entry - Not Posted To the District's Records

Helendale Community Services District

DATE: December 3, 2020
TO: Board of Directors
FROM: Kimberly Cox, General Manager
SUBJECT: Agenda item #7
Discussion and Possible Action Regarding Adoption of a Resolution 2020-15: A Resolution of the Board of Directors of the Helendale Community Services District Approving a Debt Management Policy

STAFF RECOMMENDATION:
Staff seeks approval of this item.

STAFF REPORT:
In preparation of the loan refinance requested by the Board it was advised that the District adopt the proposed Debt Management Policy that provides guidance to the Board and Staff and informs the public of the Districts dedication to revenue management. The proposed policy complies with Government Code Section 8855(i), effective January 1, 2017.

The proposed policy outlines in Section 2(A) common-sense considerations with which the District is already in compliance. In Section 2(B) the policy outlines the types of debt the District can secure. Section 2(D) provides consideration for a nexus between debt and the goals/objectives of the District; a commitment to financial planning and maintaining appropriate reserves; and lastly to assume a fiscally conservative posture when contemplating debt.

FISCAL IMPACT: None

POSSIBLE MOTION: Adopt Resolution 2020-15 approving a Debt-Management Policy

ATTACHMENTS: Debt Management Policy

RESOLUTION NO. 2020-15

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE HELENDALE COMMUNITY SERVICES DISTRICT APPROVING A DEBT MANAGEMENT POLICY

WHEREAS, the Board of Directors (the "Board") of the Helendale Community Services District (the "District") recognizes that cost-effective access to the capital markets depends on prudent management of the District's debt program; and

WHEREAS, Government Code section 8855(i) requires any issuer of public debt to certify prior to issuing debt that it has adopted local policies addressing the topics set forth in said Code; and

WHEREAS, the Board wishes to set parameters for issuing debt, managing the debt portfolio and providing guidance to decision makers; and

WHEREAS, the Board finds and determines that adoption of the attached Debt Management Policy (the "Debt Management Policy") will help ensure that debt is issued and managed prudently in order to maintain sound fiscal policy;

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors of the Helendale Community Services District hereby orders and determines as follows:

Section 1. Recitals. The Board hereby specifically finds and declares that each of the recitals set forth above are true and correct and are hereby incorporated in conjunction with the respective staff report.

Section 2. Approval of the Debt Management Policy. This Board hereby declares that the proposed Debt Management Policy attached hereto is hereby approved as the Helendale Community Services District Debt Management Policy to be effective on the date of approval.

Section 3. Authorization to Manage Debt Issuance Functions. The General Manager, or a designee thereof, is hereby authorized to manage debt issuance functions for the District in accordance with the Debt Management Policy.

Section 4. Effective Date. This Resolution shall take effect from and after the date of its passage and adoption.

The foregoing resolution was adopted at a regular meeting of the Board of Directors of the Helendale Community Services District held on the on the 3rd day of December, 2020 by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

APPROVED

____
Ron Clark, PRESIDENT

ATTESTED:

____
Sandy Haas, SECRETARY

Helendale Community Services District

Debt Management Policy

Approved by a Resolution adopted by the Board of Directors on December 3, 2020

This Debt Management Policy (the "Debt Policy") of the Helendale Community Services District (the "District") was approved by the Board of Directors to be effective as of the date first set forth above. The Debt Policy may be utilized by staff with the discretion to deviate as determined appropriate by the District Administrator, and may be amended by the Board of Directors of the District as it deems appropriate from time to time in the prudent management of the debt and financing needs of the District.

1. Findings

This Debt Policy is intended to comply with Government Code Section 8855(i), which became effective on January 1, 2017, and shall govern all debt undertaken by the District.

The District hereby recognizes that a fiscally prudent debt policy is required in order to:

- Help maintain the District's financial health.
- Ensure the District has the flexibility to meet its financial needs.
- Protect the District's credit-worthiness.
- Ensure that all debt is structured to benefit both current and future constituents of the District.
- Ensure that the District's debt is consistent with the District's planning goals and objectives.

2. Policies

A. Purposes For Which Debt May Be Issued

(i) Long-Term Debt. Long-term debt may be issued to finance the construction, acquisition, and/or rehabilitation of capital improvements and facilities, property and other assets, equipment and land to be owned and operated by the District or funded for the benefit of the District.

(a) Long-term debt financings are appropriate when the following conditions exist:

- When the project to be financed is necessary to provide basic services.
- When the project to be financed will provide benefit to constituents over multiple years.
- When total debt does not constitute an unreasonable burden to the District and its constituents.
- When the debt is issued to refinance outstanding debt in order to produce savings or to realize other benefits of a debt restructuring.

(b) Long-term debt financings will not generally be considered appropriate for recurring operating expenses and routine maintenance expenses.

(c) The District may use long-term debt financings subject to the following conditions:

- The project and/or costs to be financed must be approved by the District Board.
- The weighted average maturity of the debt will generally not exceed the average useful life of project being financed.
- The District estimates that sufficient revenues will be available to service the debt through its maturity.
- The District determines that the issuance of the debt will comply with the applicable state and federal law.

(ii) Short-term debt. Short-term debt may be issued to provide financing for the District's operational cash flows in order to maintain a steady and even cash flow balance. Short-term debt may also be used to finance short-lived capital projects; for example, the District may undertake lease-purchase financing for equipment.

(iii) Financings on Behalf of Other Entities. The District may also find it beneficial to issue debt on behalf of other governmental agencies or private third parties in order to further the public purposes of District. In such cases, the District shall take reasonable steps to confirm the financial feasibility of the project to be financed and the financial solvency of any borrower and that the issuance of such debt is consistent with the policies set forth herein.

B. Types of Debt

The following types of debt are allowable under this Debt Policy:

- Installment sale agreements, loans and similar debt-financing contracts
- Loans and contracts with State or Federal agencies, including the United States Department of Agriculture–Rural Development
- Lines of credit
- General obligation bonds (GO Bonds)
- Bond or grant anticipation notes (BANs)
- Lease revenue bonds, certificates of participation (COPs) and lease-purchase transactions
- Other revenue bonds and Certificates of Participation (COPs)
- Tax and revenue anticipation notes (TRANs)
- Land-secured financings, such as special tax revenue bonds issued under the Mello-Roos Community Facilities Act of 1982, as amended, and limited obligation bonds issued under applicable assessment statutes
- Refunding bonds, notes, loans, and other obligations

The District Board may from time to time find that other forms of debt would be beneficial to further its public purposes and may approve such debt without an amendment of this Debt Policy.

Debt shall be issued as fixed rate debt unless the District makes a specific determination as to why a variable rate issue would be beneficial to the District in a specific circumstance.

C. Relationship of Debt to Capital Improvement Program and Budget

The District is committed to long-term capital planning. The District intends to issue debt for the purposes stated in this Debt Policy and to implement policy decisions incorporated in the District's capital budget and the capital improvement plan. Items outside the capital budget or capital improvement plan may also be financed.

The District shall strive to fund the upkeep and maintenance of its infrastructure and facilities due to normal wear and tear through the expenditure of available operating revenues.

The District shall integrate its debt issuances with the goals of its capital improvement program by timing the issuance of debt to ensure that funding is available for capital and non-capital projects when needed in furtherance of the District's public purposes.

The District shall seek to issue debt in a timely manner to avoid having to make unplanned expenditures from its general fund.

D. Policy Goals Related to Planning Goals and Objectives

The District is committed to long-term financial planning, maintaining appropriate reserves levels and employing prudent practices in governance, management and budget administration. The District intends to issue debt for the purposes stated in this Debt Policy and to implement policy decisions incorporated in the District's annual operations budget.

It is a policy goal of the District to protect its constituents by utilizing conservative financing methods and techniques so as to obtain the highest practical credit ratings (if applicable) and the lowest practical borrowing costs.

The District will comply with applicable state and federal law as it pertains to the maximum term of debt and the procedures for levying and imposing any related taxes, assessments, rates and charges.

When refinancing debt, it shall be the policy goal of the District to realize, whenever possible, and subject to any overriding non-financial policy considerations, minimum net present value debt service savings equal to at least 3.0% of the refunded principal amount.

E. Internal Control Procedures

When issuing debt, in addition to complying with the terms of this Debt Policy, the District shall comply with any other applicable policies regarding initial bond disclosure, continuing disclosure, post-issuance compliance, and investment of bond proceeds.

Without limiting the foregoing, the District will periodically review the requirements of and will remain in compliance with the following:

- Any continuing disclosure undertakings entered into by the District in accordance with Securities and Exchange Commission (SEC) Rule 15c2-12.
- Any reporting obligations to the California Debt and Investment Advisory Commission (CDIAC)
- Any federal tax compliance requirements, including, without limitation, arbitrage and rebate compliance.
- The District's investment policies as they relate to the use and investment of bond proceeds.

Proceeds of debt will be held either (a) by a third-party trustee or fiscal agent, which will disburse such proceeds to or upon the order of the District upon the submission of one or more written requisitions by the District Administrator (or his or her designee), or (b) by the District, to be held and accounted for in a separate fund or account, the expenditure of which will be carefully documented by the District.

END OF DEBT MANAGEMENT POLICY

Helendale Community Services District

DATE: December 3, 2020
TO: Board of Directors
FROM: Kimberly Cox, General Manager
SUBJECT: Agenda item #8
Discussion and Possible Action Regarding Adoption of a Resolution 2020-16: A Resolution Authorizing the Execution and Delivery of a Loan Agreement, and Authorizing and Directing Certain Actions in Connection with the Refinancing of a Prior Obligation

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STAFF RECOMMENDATION:
Staff seeks approval of this item.

STAFF REPORT:
In September the Board provided direction to Staff to pay off one of the District's three loans and to seek a refinance of another to lower the interest rate. Due to the terms of the loan to be refinanced it was not possible to complete that process until the next semi-annual loan payment in December. Staff has work with the Municipal Finance Corporation to refinance the loan. Attached for the Board's consideration is Loan Agreement #20-024 which embodies the Board's direction.

Terms: The term of the loan runs through December 2028 which is identical to the former loan. The loan interest rate is 2.75% (per Exhibit A of the Resolution) which represents a reduction from the 4.1% interest rate on the existing loan. The loan will be serviced by Citizens Business Bank rather than City National Bank. Semi-annual loan payments will be $101,312 beginning in June 2021 compared to the current loan payments of $105,041. As an example of the benefit of the lower interest rate, the June payment interest will be $8,000 less than the June interest payment under the former loan.

Prepayment: If the Board wishes to pre-pay the loan, this can occur after the sixth loan payment that occurs on December 23, 2023. There is a 2% prepayment penalty for the outstanding balance of the loan.

FISCAL IMPACT: As outlined in the staff report and Loan documents

POSSIBLE MOTION: Adopt Resolution 2020-16

ATTACHMENTS: Loan Agreement

RESOLUTION NO. 2020-16

AUTHORIZING THE EXECUTION AND DELIVERY OF AN LOAN AGREEMENT, AND AUTHORIZING AND DIRECTING CERTAIN ACTIONS IN CONNECTION WITH THE REFINANCING OF A PRIOR OBLIGATION

WHEREAS, the Helendale Community Services District (the "District") is a community services district duly organized and existing under and pursuant to the laws of the State of California; and

WHEREAS, the District desires to refinance that certain Installment Sale Agreement dated December 23, 2008 (the "Prior Agreement") between Municipal Finance Corporation (the "Corporation") and the District; and

WHEREAS, the Corporation has proposed to enter into an Loan Agreement (the "Loan Agreement") with the District to prepay and refinance the Prior Agreement; and

WHEREAS, the Corporation intends to assign without recourse certain of its rights under the Loan Agreement to Citizens Business Bank (the "Bank"), pursuant to an Assignment Agreement between the Corporation and the Bank; and

WHEREAS, the District is authorized to borrow amounts for the purpose of refinancing the Prior Obligation under the laws of the State of California, including the provisions of Section 53570 of the California Government Code; and

WHEREAS, in accordance with California Government Code Section 5852.1, the Board of Directors has obtained and disclosed in the information set forth in Exhibit A hereto;

NOW, THEREFORE, it is resolved by the Board of Directors of the Helendale Community Services District as follows:

SECTION 1. Loan Agreement. The form of Loan Agreement submitted to this meeting, on file with the Secretary, and made a part hereof as though set forth herein is hereby approved. The President of the Board of Directors, the General Manager or a designee in writing (each, an "Authorized Officer") is hereby authorized to execute and deliver the Loan Agreement with the Corporation to refinance the Prior Agreement, with such changes, insertions and omissions as the Authorized Officer executing the same may require or approve, with the advice and approval of District Counsel, and the execution thereof by an Authorized Officer shall be conclusive evidence of such approval. In connection therewith, the District approves the execution and delivery of the Loan Agreement so long as the interest rate of the Loan Repayments (as defined in the Loan Agreement) does not exceed 2.75%, the principal amount of the Loan Repayments does not exceed \$1,446,206.61 and the maturity of the Loan Repayments does not exceed December 23, 2028.

SECTION 2. Other Actions. The President of the Board of Directors, the General Manager and other officers of the District are each hereby authorized and directed, jointly and severally, to take any and all actions and to execute and deliver any and all documents, agreements and certificates which they may deem necessary or advisable in order to carry out, give effect to and comply with the terms of this Resolution and the Loan Agreement. Such actions are hereby ratified, confirmed and approved.

SECTION 3. Qualified Tax-Exempt Obligations. The Loan is hereby designated as a "qualified tax-exempt obligation" within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the "Code"). The District, together with all subordinate entities of the District, do not reasonably expect to issue during the calendar year in which the Loan is issued more than $10,000,000 of obligations which it could designate as "qualified tax-exempt obligations" under Section 265(b) of the Code.

SECTION 4. Effect. This Resolution shall take effect immediately upon its passage.

PASSED, APPROVED AND ADOPTED this 3rd day of December, 2020, by the following vote:

AYES:

NOES:

ABSTENTIONS:

ABSENT:

Approved: ______________________________

Ron Clark, President of the Board

Attest: ______________________________

Sandy Haas, Secretary of the Board

EXHIBIT A

GOVERNMENT CODE SECTION 5852.1 DISCLOSURE

The following information consists of estimates that have been provided by the Corporation, which have been provided to the District in good faith:

(A) True interest cost of the Loan: 2.75%

(B) Finance charge of the Loan (sum of all costs of issuance and fees/charges paid to third parties): $0

(C) Net proceeds to be received (net of finance charges, reserves and capitalized interest, if any): $1,446,206.61

(D) Total payment amount through maturity: $1,620,998.08

LOAN AGREEMENT #20-024

This LOAN AGREEMENT, (this "Loan Agreement"), dated for convenience as of December 23, 2020, is by and between Municipal Finance Corporation, a corporation duly organized and existing under the laws of the State of California (the "Corporation"), as lender, and the Helendale Community Services District, a community services district duly organized and existing under the Constitution and laws of the State of California (the "District"), as borrower.

WITNESSETH:

WHEREAS, the District presently owns and operates certain facilities and property for the supply of water and the collection, treatment and disposal of wastewater within the service area of the District (the "Enterprise"); and

WHEREAS, the District previously entered into an Installment Sale Agreement dated as of December 23, 2008 (the "Prior Obligation") with the Corporation for the purpose of financing improvements to the Enterprise; and

WHEREAS, the District desires to refinance the Prior Obligation and thereby realize interest savings, and in order to provide funds for that the purpose the District has determined to borrow the amount of $1,446,206.61 from the Corporation as provided herein (the "Loan"); and

WHEREAS, the District is authorized to borrow amounts for the purpose of refinancing the Prior Obligation under the laws of the State of California, including the provisions of Article 10, Chapter 3, Part 1, Division 2 of Title 5 of the California Government Code, commencing with Section 53570 of said Code.

NOW, THEREFORE, in consideration of the above premises and of the mutual covenants hereinafter contained and for other good and valuable consideration, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS AND EXHIBITS

SECTION 1.1. Definitions. All capitalized terms used in this Section 1.1 shall for all purposes of this Loan Agreement have the meanings herein specified or as hereinafter defined.

"Additional Revenues" means, with respect to the issuance of any Parity Obligations, any or all of the following amounts:

(i) An allowance for Net Revenues from any additions or improvements to or extensions of the Enterprise to be made with the proceeds of such Parity Obligations and also for Net Revenues from any such additions, improvements or extensions which have been made from moneys from any source but in any case which, during all or any part of the latest Fiscal Year or such twelve (12) month period, were not in service, all in an amount equal to ninety percent (90%) of the estimated additional average annual Net Revenues to be derived from such additions, improvements and extensions for the first thirty-six (36) month period in which each addition, improvement or extension is respectively to be in operation, all as shown by the certificate or opinion of a qualified independent engineer (which may but need not be the outside firm providing engineering services) retained by the District.

(ii) An allowance for Net Revenues arising from any increase in the charges made for service from the Enterprise which has become effective prior to the incurring of such Parity Obligations but which, during all or any part of the latest Fiscal Year or such twelve (12) month period, was not in effect, in an amount equal to the total amount by which the Net Revenues would have been increased if such increase in charges had been in effect during the whole of such Fiscal Year or twelve (12) month period, all as shown by the certificate or opinion of an independent certified public accountant (which may but need not be the outside firm providing auditing services) retained by the District.

"Assignee" means (a) initially, Citizens Business Bank, as assignee of certain rights of the Corporation hereunder, and (b) any other entity to whom the rights of the Corporation shall be assigned hereunder.

"Closing Date" means the date the Corporation deposits the Loan proceeds with the District pursuant to Section 3.2.

"Corporation" means Municipal Finance Corporation, a corporation duly organized and existing under the laws of the State of California. Whenever in this Loan Agreement any reference is made to the Corporation and such reference concerns rights which the Corporation has assigned to the Assignee, such reference shall be deemed to refer to the Assignee.

"Determination of Taxability" means and shall be deemed to have occurred on the first to occur of the following:

(i) on the date when the District files any statement, supplemental statement or other tax schedule, return or document which discloses that an Event of Taxability shall have occurred;

(ii) on the date when the Lender notifies the District that it has received a written opinion from Bond Counsel to the effect that an Event of Taxability has occurred, which notice shall be accompanied by a copy of such opinion of Bond Counsel, unless, within 180 days after receipt by the District of such notification and copy of such opinion from the Lender, the District shall deliver to the Lender a ruling or determination letter issued to or on behalf of the District by the Commissioner or any District Director of the Internal Revenue Service (or any other governmental official exercising the same or a substantially similar function from time to time) to the effect that, after taking into consideration such facts as form the basis for the opinion that an Event of Taxability has occurred, an Event of Taxability shall not have occurred;

(iii) on the date when the District shall be advised in writing by the Commissioner or any District Director of the Internal Revenue Service (or any other government official or agent exercising the same or a substantially similar function from time to time) that, based upon any review or audit or upon any other ground whatsoever, an Event of Taxability has occurred; or

(iv) on the date when the District shall receive notice from the Lender that the Internal Revenue Service (or any other government official or agency exercising the same or a substantially similar function from time to time) has assessed the interest on the Loan Repayments as includable in the gross income of the Lender due to the occurrence of an Event of Taxability, provided that the Lender has provided a copy of document(s) received from the Internal Revenue Service to the District;

provided, however, that no Determination of Taxability shall occur under subparagraph (iii) or subparagraph (iv) above unless the District has been afforded the opportunity, at its expense, to contest any such assessment, and, further, no Determination of Taxability shall occur until such contest, if made, has been finally determined; *provided further, however,* that upon demand from the Lender following an event listed in subparagraphs (i), (ii), (iii) or (iv), the District shall reimburse the Lender for any payments, including any taxes, interest, penalties or other charges, Lender shall be obligated to make to the Internal Revenue Service as a result of the Determination of Taxability.

"District" means Helendale Community Services District, a community services district located in San Bernardino County formed under the Community Services District Law of the State of California (constituting Division 3 of Title 6 of the California Government Code, commencing with Section 61000).

"Enterprise" means the existing facilities and property owned or operated by the District in connection with the supply of water and the collection, treatment and disposal of wastewater, together with all extensions thereof and improvements thereto hereafter acquired, constructed or installed by the District.

"Event of Default" means any of the events of default as defined in Section 5.1.

“Event of Taxability” means any action taken or not taken by the District which has the effect of causing interest paid or payable on the Loan Repayments to be includable, in whole or in part, in the gross income of the holder of the Loan Repayments for federal income tax purposes.

"Federal Securities" means any direct general non-callable obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America), or obligations the timely payment of principal of and interest on which are directly guaranteed by the United States of America.

"Fiscal Year" means each twelve-month period during the Term of this Loan Agreement commencing on July 1 in any calendar year and ending on June 30 in the next succeeding calendar year, or any other twelve-month period selected by the District as its fiscal year period.

"Gross Revenues" means all gross charges received for, and all other gross income and receipts derived by the District from, the ownership and operation of the Enterprise or otherwise arising from the Enterprise, including but not limited to connection charges and earnings on the investment of any funds held by the District; but excluding (a) the proceeds of any ad valorem property taxes levied for the purpose of paying bonded indebtedness of the District and (b) the proceeds of any special assessments or special taxes levied upon real property within any improvement district served by the District for the purpose of paying special assessment bonds or special tax obligations of the District.

"Loan" means the loan made by the Corporation to the District pursuant to Section 3.1.

"Loan Agreement" means this Loan Agreement, dated as of December 23, 2020, between the Corporation and the District.

"Loan Repayment Date" means June 23 and December 23 in each year, commencing June 23, 2021 and continuing to and including the date on which the Loan Repayments have been paid in full.

"Loan Repayments" means all payments required to be paid by the District on any date pursuant to Section 3.4, including any prepayment thereof pursuant to Section 6.2 or 6.3.

"Maintenance and Operation Costs" means the reasonable and necessary costs and expenses paid by the District for maintaining and operating the Enterprise, including but not limited to the reasonable expenses of management and repair and other costs and expenses necessary to maintain and preserve the Enterprise in good repair and working order, and including but not limited to administrative costs of the District attributable to the Enterprise and the financing thereof, but in all cases excluding depreciation, replacement and obsolescence charges or reserves therefor and excluding amortization of intangibles or other bookkeeping entries of a similar nature.

"Maximum Annual Debt Service" means, as of the date of any calculation, the maximum sum obtained for the current or any future Fiscal Year during the Term of this Loan Agreement by totaling the aggregate amount of (i) the Loan Repayments coming due in such Fiscal Year, and (ii) the principal and interest coming due and payable in such Fiscal Year on any Parity Obligations, including the principal amount coming due and payable by operation of mandatory sinking fund redemption. There shall be excluded from such calculation any principal of and interest on the Loan Repayments and any Parity Obligations which have been defeased or discharged, or for the payment of which a security deposit has been posted. With respect to any Parity Obligations which then bear interest at a variable rate, such interest shall be calculated at an assumed rate equal to the average rate of interest per annum for each of the 5 previous whole calendar years as shown by the J. J. Kenny Index (or at any time in the event and to the extent such index is not maintained for all or any portion of such period, any similar index of variable rate interest for tax-exempt obligations as may be selected by the District in its sole discretion).

"Net Revenues" means, for any period, an amount equal to all of the Gross Revenues received during such period, minus the amount required to pay all Maintenance and Operation Costs becoming payable during such period.

"Parity Obligations" means (i) that certain Installment Sale Agreement dated as of August 1, 2014 between the District and the Corporation and (ii) any bonds, notes or other obligations of the District payable from and secured by a pledge of and lien upon any of the Net Revenues on a parity with the Loan Repayments.

"Revenue Fund" means the fund heretofore established and held by the District for the receipt and deposit of Gross Revenues.

"Taxable Rate" means 6.00% per annum.

"Tax Code" means the Internal Revenue Code of 1986. Any reference herein to a provision of the Tax Code shall include all applicable temporary and permanent regulations promulgated under the Tax Code.

"Term of this Loan Agreement" or "Term" means the time during which this Loan Agreement is in effect, as provided in Section 3.3.

SECTION 1.2. Exhibits. The following Exhibits are attached to, and by reference made a part of this Loan Agreement:

Exhibit A: The schedule of Loan Repayments to be paid by the District hereunder, showing the date and amount of each such Loan Repayment.

~~Exhibit B: The original description of the Project.~~

ARTICLE II

REPRESENTATIONS, COVENANTS AND WARRANTIES

SECTION 2.1. Representations, Covenants and Warranties of the District. The District represents, covenants and warrants to the Corporation as follows:

(a) Due Organization and Existence. The District is a community services district duly organized and existing under the Constitution and laws of the State of California.

(b) Authorization. The laws of the State of California authorize the District to enter into this Loan Agreement and to enter into the transactions contemplated hereby and thereby, and to carry out its obligations under this Loan Agreement and the Board of Directors of the District has duly authorized the execution and delivery of this Loan Agreement.

(c) No Violations. Neither the execution and delivery of this Loan Agreement nor the fulfillment of or compliance with the terms and conditions hereof or thereof, nor the consummation of the transactions contemplated hereby or thereby, conflicts with or results in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which the District is now a party or by which the District is bound, or constitutes a default under any of the foregoing, or results in the creation or imposition of any lien, charge or encumbrances whatsoever upon any of the property or assets of the District, other than as set forth herein.

(d) No Prior Indebtedness. The District has not issued or incurred any obligations which are currently outstanding having any priority in payment out of the Gross Revenues or the Net Revenues over the payment of the Loan Repayments as provided herein.

(e) Rate Setting. The District is empowered to set rates, fees and charges for the services and facilities furnished by the Enterprise without review or approval by any state or local governmental agency.

SECTION 2.2. Representations, Covenants and Warranties of the Corporation. The Corporation represents, covenants and warrants to the District as follows:

(a) Due Organization and Existence. The Corporation is a corporation duly organized and existing under the laws of the State of California.

(b) Authorization. The laws of the State of California authorize the Corporation to enter into this Loan Agreement and to enter into the transactions contemplated hereby and thereby, and to carry out its obligations under this Loan Agreement and the Board of Directors of the Corporation has duly authorized the execution and delivery of this Loan Agreement.

(c) No Violations. Neither the execution and delivery of this Loan Agreement nor the fulfillment of or compliance with the terms and conditions hereof or thereof, nor the consummation of the transactions contemplated hereby or thereby, conflicts with or results in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which the Corporation is now a party or by which the Corporation is bound, or constitutes a default under any of the foregoing, or results in the creation or imposition of any lien, charge or encumbrance whatsoever upon any of the property or assets of the Corporation.

(d) No Assignments. Except as provided herein, the Corporation will not assign this Loan Agreement, its right to receive Loan Repayments from the District, or its duties and obligations hereunder to any other person, firm or corporation so as to impair or violate the representations, covenants and warranties contained in this Section 2.2.

(e) No Fiduciary Relationship. The Corporation is entering into this Loan Agreement with the District as an arm's length commercial transaction and is not acting in the capacity of a "Municipal Advisor" as such term is defined in Section 15B of the Securities Exchange Act of 1934, as amended, and the related final rules, or otherwise serving as an agent or fiduciary of the District.

ARTICLE III

TERMS OF LOAN

SECTION 3.1. Obligation to Make Loan; Amount of Loan. The Corporation hereby agrees to lend to the District, and the District hereby agrees to borrow from the Corporation, the amount of $1,446,206.61 under the terms and provisions set forth in this Loan Agreement. The Loan shall be to refinance the Prior Obligation.

SECTION 3.2. Deposit of Moneys. On the Closing Date the Corporation shall deposit the sum of $1,446,206.61 with City National Bank to prepay in full the Prior Obligation.

SECTION 3.3. Term. The Term of this Loan Agreement shall commence on the Closing Date, and shall end on the date on which the Loan shall be paid in full or provision for such payment shall be made as provided herein.

SECTION 3.4. Loan Repayments.

(a) Obligation to Pay. The District hereby agrees to repay the Loan in the aggregate principal amount of $1,446,206.61 together with interest (calculated at the rate of 2.75% on the basis of a 360-day year of twelve 30-day months) on the unpaid principal balance thereof, payable in semiannual Loan Repayments in the respective amounts and on the respective Loan Repayment Dates specified in Exhibit A.

As a result of the assignment by the Corporation to the Assignee of the right of the Corporation to receive the Loan Repayments, the District shall pay all Loan Repayments when due directly to the Assignee.

(b) Effect of Prepayment. In the event that the District prepays the Loan Repayments in full pursuant to Article VI, the District's obligations under this Loan Agreement shall thereupon cease and terminate, including but not limited to the District's obligation to pay Loan Repayments under this Section 3.4; subject however, to the provisions of Section 6.1 in the case of prepayment by application of a security deposit. In the event that the District prepays the Loan in part but not in whole pursuant to Section 6.3, the principal components of the remaining Loan Repayments shall be reduced on a pro rata basis so as to produce equal Loan Repayments over the remaining Term of this Loan Agreement.

(c) Rate on Overdue Payments. In the event the District should fail to make any of the payments required in this Section 3.4, the payment in default shall continue as an obligation of the District until the amount in default shall have been fully paid, and the District agrees to pay the same with interest thereon, to the extent permitted by law, from the date of default to the date of payment at the rate of eight percent (8%) per annum.

(d) Taxable Rate. From and after an Event of Taxability, following a Determination of Taxability, the Loan shall bear interest at the Taxable Rate.

SECTION 3.5. Nature of District's Obligations.

(a) Special Obligation. The District's obligation to pay the Loan Repayments is a special obligation of the District limited solely to the Net Revenues and all amounts on deposit in the Revenue Fund. Under no circumstances is the District required to advance moneys derived from any source of income other than the Net Revenues and other sources specifically identified herein for the payment of the Loan Repayments, and no other funds or property of the District are liable for the payment of the Loan Repayments. Notwithstanding the foregoing provisions of this Section, however, nothing herein prohibits the District voluntarily from making any payment hereunder from any source of available funds of the District.

(b) Obligations Absolute. The obligations of the District to pay the Loan Repayments from the Net Revenues and to perform and observe the other agreements contained herein are absolute and unconditional and are not subject to any defense or any right of setoff, counterclaim or recoupment arising out of any breach of the District or the Corporation of any obligation to the District or otherwise with respect to the Enterprise, whether hereunder or otherwise, or out of indebtedness or liability at any time owing to the District by the Corporation. Until such time as all of the Loan Repayments have been fully paid or prepaid, the District:

(i) will not suspend or discontinue payment of any Loan Repayments,

(ii) will perform and observe all other agreements contained in this Loan Agreement, and

(iii) will not terminate this Loan Agreement for any cause, including, without limiting the generality of the foregoing, the occurrence of any acts or circumstances that may constitute failure of consideration, eviction or constructive eviction, destruction of or damage to the Enterprise, sale of the Enterprise, the taking by eminent domain of title to or temporary use of any component of the Enterprise, commercial frustration of purpose, any change in the tax or other laws of the United States of America or the State of California or any political subdivision of either thereof or any failure of the Corporation to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with this Loan Agreement.

(c) Protection of Rights. If the Corporation fails to perform any such agreements on its part, the District may institute such action against the Corporation as the District deems necessary to compel performance so long as such action does not abrogate the obligations of the District contained in the preceding subsection (b). The District may, however, at the District's own cost and expense and in the District's own name or in the name of the Corporation prosecute or defend any action or proceeding or take any other action involving third persons which the District deems reasonably necessary in order to secure or protect the District's rights hereunder, and in such event the Corporation will cooperate fully with the District and take such action necessary to effect the substitution of the District for the Corporation in such action or proceeding if the District shall so request.

SECTION 3.6. Pledge and Application of Net Revenues and Revenue Fund.

(a) Pledge. All of the Net Revenues and all amounts on deposit in the Revenue Fund are hereby irrevocably pledged to the punctual payment of the Loan Repayments and any Parity Obligations. The Net Revenues and amounts on deposit in the Revenue Fund may not be used for any other purpose so long as any of the Loan Repayments and any Parity Obligations remain unpaid; except that out of the Net Revenues and such other amounts there may be apportioned such sums, for such purposes, as are expressly permitted by this Section 3.6. In accordance with Section 5451 of Title 1, Chapter 5.5 of the California Government Code, this pledge shall constitute a first and exclusive lien on the Net Revenues and such other moneys for the payment of the Loan Repayments and any Parity Obligations in accordance with the terms hereof and the terms of the instruments authorizing the issuance of any Parity Obligations.

(b) Deposit of Gross Revenues; Transfers to Make Loan Repayments. The District has heretofore established the Revenue Fund, which the District agrees to continue to hold and maintain for the purposes and uses set forth herein. The District shall deposit all Gross Revenues in the Revenue Fund promptly upon the receipt thereof.

All Net Revenues will be held by the District in the Revenue Fund in trust for the benefit of the Corporation and for the benefit of the owners of any Parity Obligations. The District shall withdraw from such fund or funds and transfer to the Corporation an amount of Net Revenues equal to the aggregate amount of the Loan Repayment when and as the same becomes due and payable. In addition, the District shall withdraw from such fund or funds such amounts of Net Revenues at such times as required to pay the principal of and interest on any Parity Obligations and otherwise comply with the provisions of the instruments authorizing the issuance of any Parity Obligations.

(c) Other Uses Permitted. The District shall manage, conserve and apply the Net Revenues in such a manner that all deposits required to be made under the preceding paragraph will be made at the times and in the amounts so required. Subject to the foregoing sentence, so long as no Event of Default has occurred and is continuing hereunder, the District may at any time and from time to time use and apply Net

Revenues for (i) the acquisition and construction of improvements to the Enterprise; (ii) the prepayment of the Loan and any Parity Obligations, or (iii) any other lawful purpose of the District.

ARTICLE IV

COVENANTS OF THE DISTRICT

SECTION 4.1. ***Release and Indemnification Covenants.*** The District shall indemnify the Corporation and its officers, agents, successors and assigns and hold them harmless from and against all claims, losses and damages, including legal fees and expenses, arising out of the following:

(a) the use, maintenance, condition or management of, or from any work or thing done on or about the Enterprise by the District,

(b) any breach or default on the part of the District in the performance of any of its obligations under this Loan Agreement,

(c) any intentional misconduct or negligence of the District or of any of its agents, contractors, servants, employees or licensees with respect to the Enterprise, and

(d) any intentional misconduct or negligence of any lessee of the District with respect to the Enterprise.

No indemnification is made under this Section 4.1 or elsewhere in this Loan Agreement for willful misconduct, gross negligence, or breach of duty under this Loan Agreement by the Corporation, its officers, agents, employees, successors or assigns.

SECTION 4.2. ***Sale or Eminent Domain of Enterprise.*** Except as provided herein, the District covenants that the Enterprise will not be encumbered, sold, leased, pledged, any charge placed thereon, or otherwise disposed of, as a whole or substantially as a whole if such encumbrance, sale, lease, pledge, charge or other disposition would materially impair the ability of the District to pay the Loan Repayments or the principal of or interest on any Parity Obligations, or would materially adversely affect its ability to comply with the terms of this Loan Agreement or the instruments authorizing the issuance of any Parity Obligations. The District shall not enter into any agreement which impairs the operation of the Enterprise or any part of it necessary to secure adequate Net Revenues to pay the Loan Repayments or any Parity Obligations, or which otherwise would impair the rights of the Corporation with respect to the Net Revenues. If any substantial part of the Enterprise is sold, the payment therefor must either (a) be used for the acquisition or construction of improvements and extensions or replacement facilities or (b) be applied to prepay or redeem the Loan and any Parity Obligations, on a pro rata basis, in the manner provided herein and in the instruments authorizing such Parity Obligations.

Any amounts received as awards as a result of the taking of all or any part of the Enterprise by the lawful exercise of eminent domain, if and to the extent that such right can be exercised against such property of the District, shall either (a) be used for the acquisition or construction of improvements and extension or replacement facilities of the Enterprise, or (b) be applied to prepay or redeem the Loan and any Parity

Obligations, on a pro rata basis, in the manner provided herein and in the instruments authorizing such Parity Obligations.

SECTION 4.3. *Insurance.* The District shall at all times maintain with responsible insurers all such insurance on the Enterprise as is customarily maintained with respect to works and properties of like character against accident to, loss of or damage to the Enterprise. If any useful part of the Enterprise is damaged or destroyed, such part shall be restored to usable condition. All amounts collected from insurance against accident to or destruction of any portion of the Enterprise shall be used to repair or rebuild such damaged or destroyed portion of the Enterprise or if determined not to repair or rebuild such portion and in any event to the extent not so applied, must either (a) be used for the acquisition or construction or improvements and extensions or replacement facilities or (b) be applied on a pro rata basis to prepay or redeem the Loan and the Prior Parity Obligations in the manner provided in this Loan Agreement and in the instruments authorizing such Parity Obligations. The District shall also maintain, with responsible insurers, worker's compensation insurance and insurance against public liability and property damage to the extent reasonably necessary to protect the District, the Corporation and the Assignee. Any insurance required to be maintained hereunder may be maintained under and in accordance with a joint exercise of powers agreement, or may be maintained by the District in the form of self-insurance or in the form of participation by the District in a program of pooled insurance.

SECTION 4.4. *Records and Accounts.* The District shall keep proper books of records and accounts of the Enterprise, separate from all other records and accounts, in which complete and correct entries shall be made of all transactions relating to the Enterprise. Said books shall, upon prior request, be subject to the reasonable inspection of the Corporation.

The District shall cause the books and accounts of the Enterprise to be audited annually by an independent certified public accountant or firm of certified public accountants, not more than two hundred seventy (270) days after the close of each Fiscal Year, and shall furnish a copy of such report to the Corporation or the Assignee. The audit of the accounts of the Enterprise may be included as part of a general District-wide audit.

The District shall cause to be published annually, not more than two hundred seventy (270) days after the close of each Fiscal Year, a summary statement showing the amount of Gross Revenues and the disbursements from Gross Revenues and from other funds of the District in reasonable detail. The District shall furnish a copy of the statement, upon reasonable written request, to the Corporation and the Assignee.

SECTION 4.5. *Rates and Charges.*

(a) Covenant Regarding Gross Revenues. The District shall fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Enterprise during each Fiscal Year which (together with existing unencumbered cash and cash-equivalent balances which are lawfully available to the District for payment of any of the following amounts during such Fiscal Year) are at least sufficient, after making allowances for contingencies and error in the estimates, to pay the following amounts in the following order:

(i) All Maintenance and Operation Costs estimated by the District to become due and payable with respect to such Fiscal Year;

(ii) The Loan Repayments and all principal of and interest and premium (if any) on any Parity Obligations as they become due and payable with respect to such Fiscal Year, without preference or priority;

(iii) All payments coming due and payable with respect to such Fiscal Year and required for compliance with this Loan Agreement and the instruments authorizing any Parity Obligations; and

(iv) All payments required to meet any other obligations of the District which are charges, liens, encumbrances upon or payable from the Gross Revenues with respect to such Fiscal Year.

(b) Covenant Regarding Net Revenues. In addition to the covenant set forth in the preceding clause (a) of this Section, the District shall fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Enterprise during each Fiscal Year which are sufficient to yield Net Revenues which (together with existing unencumbered cash and cash-equivalent fund balances which are lawfully available to the District with respect to such Fiscal Year) are at least equal to 115% of the aggregate amount of Loan Repayments and principal of and interest on any Parity Obligations coming due and payable with respect to such Fiscal Year.

SECTION 4.6. ***No Priority for Additional Obligations.*** The District may not issue or incur any bonds or other obligations having any priority in payment of principal or interest out of the Net Revenues over the Loan Repayments.

SECTION 4.7. ***Issuance of Parity Obligations.*** Except for obligations incurred to prepay or post a security deposit for the Loan in whole, the District may not issue or incur any Parity Obligations unless:

(a) The District is not then in default under the terms of this Loan Agreement.

(b) The Net Revenues (excluding connection charges), calculated in accordance with sound accounting principles, as shown by the books of the District for the latest Fiscal Year or as shown by the books of the District for any more recent 12 month period selected by the District, in either case verified by a certificate or opinion of an independent certified public accountant (which may be, but not need be, the outside firm providing auditing services) employed by the District, plus (at the option of the District) the Additional Revenues, at least equal 115% of the amount of Maximum Annual Debt Service; *provided, however*, that this subsection (b) does not apply to any issue of Parity Obligations the net proceeds of which are applied to refund the Loan or any Parity Obligations in whole or in part, so long as (i) the final maturity of such Parity Obligations does not exceed the final maturity of the obligations being refunded, and (ii) the aggregate amount of debt service on such Parity Obligations in each Fiscal Year does not exceed the amount of debt service which would otherwise come due and payable in such Fiscal Year on the obligations being refunded.

For purposes of the foregoing calculation of Net Revenues under this subsection (b), the District may add to such Net Revenues any Additional Revenues.

(c) Notwithstanding the above, the District may incur debt payable from Net Revenues (i) to cause a defeasance of this Loan Agreement or (ii) which is payable on a basis which is junior to the payment of the Loan Repayments.

Section 4.8. (Reserved)

SECTION 4.9. ***Assignment by the Corporation.*** The Corporation's rights under this Loan Agreement, including the right to receive and enforce payment of the Loan Repayments to be made by the District under this Loan Agreement, have been assigned to the Assignee pursuant to an Assignment of Loan Agreement. Whenever in this Loan Agreement any reference is made to the Corporation and such reference concerns rights which the Corporation has assigned to the Assignee, such reference shall be deemed to refer to the Assignee.

The Corporation or the Assignee has the right to make additional assignments of its rights and obligations under this Loan Agreement, but the District shall not be required to pay more than a single payee, regardless of the number of Assignees, and no such assignment will be effective as against the District unless and until the Corporation or the Assignee files with the District written notice thereof. The District shall pay all Loan Repayments hereunder under the written direction of the Corporation or the Assignee named in the most recent assignment or notice of assignment filed with the District. During the Term of this Loan Agreement, the District shall keep a complete and accurate record of all such notices of assignment.

SECTION 4.10. ***Assignment by the District.*** Neither the Loan nor this Loan Agreement may be assigned by the District, other than to a public agency which shall succeed to the interests of the District in and to the Enterprise and which (by operation of law, by contract or otherwise) becomes legally bound to all of the terms and provisions hereof.

SECTION 4.11. ***Amendment of this Loan Agreement.*** This Loan Agreement may be amended by the District and the Corporation, but only with the prior written consent of the Assignee (which consent may not be unreasonably withheld).

SECTION 4.12. Tax Covenants.

(a) Generally. The District shall not take any action or permit to be taken any action within its control which would cause or which, with the passage of time if not cured would cause, the interest components of the Loan Repayments to become includable in gross income for federal income tax purposes.

(b) Private Activity Bond Limitation. The District shall assure that the proceeds of the Loan are not so used as to cause the Loan to satisfy the private business tests of section 141(b) of the Tax Code or the private loan financing test of section 141(c) of the Tax Code.

(c) Federal Guarantee Prohibition. The District shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause the Loan Repayments to be "federally guaranteed" within the meaning of Section 149(b) of the Tax Code.

(d) No Arbitrage. The District shall not take, or permit or suffer to be taken, any action with respect to the proceeds of the Loan Repayments which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the Closing Date would have caused the Loan to be "arbitrage bonds" within the meaning of Section 148(a) of the Tax Code.

(e) Small Issuer Exemption from Bank Nondeductibility Restriction. The District hereby designates this Loan Agreement for purposes of paragraph (3) of Section 265(b) of the Tax Code and represents that not more than $10,000,000 aggregate principal amount of obligations the interest on which is excludable (under Section 103(a) of the Tax Code) from gross income for federal income tax purposes (excluding (i) private activity bonds, as defined in Section 141 of the Tax Code, except qualified 501(c)(3) bonds as defined in Section 145 of the Tax Code and (ii) current refunding obligations to the extent the amount of the refunding obligation does not exceed the outstanding amount of the refunded obligation), including this Loan Agreement, has been or will be issued by the District, including all subordinate entities of the District, during the calendar year 2020.

(f) Arbitrage Rebate. The District shall take any and all actions necessary to assure compliance with section 148(f) of the Tax Code, relating to the rebate of excess investment earnings, if any, to the federal government, to the extent that such section is applicable to the Loan.

(g) Acquisition, Disposition and Valuation of Investments. Except as otherwise provided in the following sentence, the District covenants that all investments of amounts deposited in any fund or account created by or pursuant to this Loan Agreement, or otherwise containing gross proceeds of the Loan (within the meaning of section 148 of the Tax Code) shall be acquired, disposed of, and valued (as of the date that valuation is required by this Indenture or the Tax Code) at Fair Market Value. Investments in funds or accounts (or portions thereof) that are subject to a yield restriction under applicable provisions of the Tax Code shall be valued at their present value (within the meaning of section 148 of the Tax Code).

For purposes of this subsection (g), the term "Fair Market Value" means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm's length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of section 1273 of the Tax Code) and, otherwise, the term "Fair Market Value" means the acquisition price in a bona fide arm's length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Tax Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Tax Code, (iii) the investment is a United States Treasury Security – State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) any commingled investment fund in which the District and related parties do not own more than a 10% beneficial interest therein if the return paid by the fund is without regard to the source of the investment.

ARTICLE V

EVENTS OF DEFAULT AND REMEDIES

SECTION 5.1. Events of Default Defined. The following shall be Events of Default under this Loan Agreement.

(a) Failure by the District to pay the Corporation any Loan Repayment or to pay other amounts required to be paid hereunder within fifteen (15) days of the time specified herein, and such failure is not cured within ten (10) days after written notice thereof by the Corporation.

(b) Failure by the District to observe and perform any covenant, condition or agreement on its part to be observed or performed hereunder other than as referred to in the preceding clause (a) of this Section, for a period of thirty (30) days after written notice specifying such failure and requesting that it be remedied has been given to the District by the Corporation *provided, however*, if in the reasonable opinion of the District the failure stated in the notice can be corrected, but not within such thirty (30) day period, the Corporation shall not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the District within such thirty (30) day period and diligently pursued until the default is corrected.

(c) The filing by the District of a voluntary petition in bankruptcy, or failure by the District promptly to lift any execution, garnishment or attachment, or adjudication of the District as bankrupt, or assignment by the District for the benefit of creditors, or the approval by a court of competent jurisdiction of a petition applicable to the District in any proceedings instituted under the provisions of the Federal Bankruptcy Code, as amended, or under any similar acts which may hereafter be enacted.

(d) An event of default as defined under any contracts or agreements relating to any Parity Obligations.

SECTION 5.2. Remedies on Default. Whenever any Event of Default shall have happened and be continuing, the Corporation shall have the rights, at its option and without any further demand or notice to:

(a) declare all principal components of the unpaid Loan Repayments, together with accrued interest thereon at the rate of interest per annum represented by the Loan from the immediately preceding Loan Payment Date on which payment was made, to be immediately due and payable, whereupon the same shall immediately become due and payable; and,

(b) take whatever action at law or in equity may appear necessary or desirable to collect the Loan Repayments then due or thereafter to become due during the Term of this Loan Agreement, or enforce performance and observance of any obligation, agreement or covenant of the District under this Loan Agreement.

The provisions of the preceding clause (a) are subject to the condition that if, at any time after the principal components of the unpaid Loan Repayments shall have been so declared due and payable pursuant to the preceding clause (a), and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the District shall deposit with the Corporation a sum sufficient to pay all principal components of the Loan Repayments coming due prior to such declaration and all matured interest components (if any) of the Loan Repayments, with interest on such overdue principal and interest components calculated at the rate set forth in Section 3.4(c) and the reasonable expenses of the Corporation (including any fees and expenses of its attorneys), and any and all other defaults known to the Corporation (other than in the payment of the principal and interest components of the Loan Repayments due and payable solely by reason of such declaration) shall have been made good, then, and in every such case, the Corporation may, by written notice to the District rescind and annul such declaration and its consequences.

However, no such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon.

SECTION 5.3. No Remedy Exclusive. No remedy herein conferred upon or reserved to the Corporation is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Loan Agreement or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Corporation to exercise any remedy reserved to it in this Article V it shall not be necessary to give any notice, other than such notice as may be required in this Article V or by law.

SECTION 5.4. Agreement to Pay Attorneys' Fees and Expenses. In the event either party of this Loan Agreement should default under any of the provisions hereof and the nondefaulting party should employ attorneys (including in-house counsel) or incur other expenses for the collection of moneys or the enforcement of performance or observance of any obligation or agreement on the part of the defaulting party herein contained, the defaulting party agrees that it will on demand therefor pay to the nondefaulting party the reasonable fees of such attorneys (including the allocable cost of in-house counsel) and such other expenses so incurred by the nondefaulting party.

SECTION 5.5. No Additional Waiver Implied by One Waiver. In the event any agreement contained in this Loan Agreement should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

SECTION 5.6. Assignee to Exercise Rights Such rights and remedies as are given to the Corporation under this Article V have been assigned by the Corporation to the Assignee and shall be exercised solely by the Assignee.

ARTICLE VI

PREPAYMENT OF LOAN

SECTION 6.1. Security Deposit. Notwithstanding any other provision of this Loan Agreement, the District may on any date secure the payment of Loan Repayments, in whole, by irrevocably depositing with a fiduciary an amount of cash which, together with other available amounts, is either (a) sufficient to pay all such Loan Repayments, including the principal and interest components thereof, when due pursuant to Section 3.4(a), or (b) invested in whole or in part in Federal Securities in such amount as will, in the opinion of an independent certified public accountant, together with interest to accrue thereon and together with any cash which is so deposited, be fully sufficient to pay all such Loan Repayments when due pursuant to Section 3.4(a) or when due on any optional prepayment date pursuant to Section 6.2, as the District shall instruct at the time of said deposit. In the event of a security deposit pursuant to this Section for the payment of all remaining Loan Repayments, all obligations of the District under this Loan Agreement, and the pledge of Net Revenues and all other security provided by this Loan Agreement for said obligations, shall cease and terminate, excepting only the obligation of the District to make, or cause to be made, all of Loan Repayments from such security deposit. Said security deposit shall be deemed to be and shall constitute a special fund for the payment of such Loan Repayments in accordance with the provisions of this Loan Agreement.

SECTION 6.2. Optional Prepayment. The District shall have the option to prepay the unpaid principal balance of the Loan in whole, on any Loan Repayment Date, commencing on the sixth Loan Repayment Date, by paying the Loan Repayment required to be paid on such date plus a prepayment price equal to the principal amount of the Loan Repayments to be prepaid, together with a two percent (2%) prepayment premium thereon. The District shall give the Corporation written notice of its intention to exercise its option not less than thirty (30) days in advance of the date of exercise.

SECTION 6.3. Mandatory Prepayment From Net Proceeds of Insurance or Eminent Domain. The District shall prepay the unpaid principal balance of the Loan in whole on any date or in part, on any Loan Repayment Date, from and to the extent the District determines to apply any Net Proceeds of insurance award or condemnation award with respect to the Enterprise for such purpose pursuant to Sections 4.2 or 4.3 at a price equal to the principal amount to be prepaid plus a prepayment premium equal to the amount which would apply to such prepayment if the District prepaid its obligations under Section 6.2 on such date. The District and the Corporation hereby agree that such proceeds, to the extent remaining after payment of any delinquent Loan Repayments, shall be credited towards the District's obligations under this Section 6.3.

ARTICLE VII

MISCELLANEOUS

SECTION 7.1. Notices. All written notices to be given under this Loan Agreement shall be given by first class mail or personal delivery to the party entitled thereto at its address set forth below, or by telecopier or other form of telecommunication, at its number set forth below. Notice shall be effective either (a) upon transmission by telecopier or other form of telecommunication, (b) 48 hours after deposit in the United States of America first class mail, postage prepaid, or (c) in the case of personal delivery to any person, upon actual receipt. The Corporation, the District or the Assignee may, by written notice to the other parties, from time to time modify the address or number to which communications are to be given hereunder.

If to the District:	Helendale Community Services District 26540 Vista Road, Suite B Helendale, CA 92342 Attention: General Manager
If to the Corporation:	Municipal Finance Corporation 2945 Townsgate Road, Suite 200 Westlake Village, CA 91361 Attention: President
If to the Assignee:	Citizens Business Bank 701 North Haven Avenue, Suite 250 Ontario, CA 91764 Attention: Credit Management

SECTION 7.2. Binding Effect. This Loan Agreement shall inure to the benefit of and shall be binding upon the Corporation and the District and their respective successors and assigns.

SECTION 7.3. Severability. In the event any provision of this Loan Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

SECTION 7.4. Net-net-net Contract. This Loan Agreement shall be deemed and construed to be a "net-net-net" contract, and the District hereby agrees that the Loan Repayments shall be an absolute net return to the Corporation, free and clear of any expenses, charges or set-offs whatsoever.

SECTION 7.5. Further Assurances and Corrective Instruments. The Corporation and the District agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for carrying out the expressed intention of this Loan Agreement.

SECTION 7.6. Execution in Counterparts. This Loan Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 7.7. Applicable Law. This Loan Agreement shall be governed by and construed in accordance with the laws of the State of California.

SECTION 7.8. Captions. The captions or headings in this Loan Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provisions or Section of this Loan Agreement.

IN WITNESS WHEREOF, the Corporation has caused this Loan Agreement to be executed in its corporate name by its duly authorized officer, and the District has caused this Loan Agreement to be executed in its name by its duly authorized officer, as of the date first above written.

MUNICIPAL FINANCE CORPORATION

By_________________________________
President

HELENDALE COMMUNITY SERVICES DISTRICT

By_________________________________
President of the Board

Attest:

____
Secretary of the Board

EXHIBIT A

SCHEDULE OF LOAN REPAYMENTS

PMT #	Due Date	Loan Repayment	To Principal	To Interest
1	06/23/21	$101,312.38	$81,427.04	19,885.34
2	12/23/21	101,312.38	82,546.66	18,765.72
3	06/23/22	101,312.38	83,681.68	17,630.70
4	12/23/22	101,312.38	84,832.30	16,480.08
5	06/23/23	101,312.38	85,998.74	15,313.64
6	12/23/23	101,312.38	87,181.23	14,131.15
7	06/23/24	101,312.38	88,379.97	12,932.41
8	12/23/24	101,312.38	89,595.19	11,717.19
9	06/23/25	101,312.38	90,827.13	10,485.25
10	12/23/25	101,312.38	92,076.00	9,236.38
11	06/23/26	101,312.38	93,342.05	7,970.33
12	12/23/26	101,312.38	94,625.50	6,686.88
13	06/23/27	101,312.38	95,926.60	5,385.78
14	12/23/27	101,312.38	97,245.59	4,066.79
15	06/23/28	101,312.38	98,582.72	2,729.66
16	12/23/28	101,312.38	99,938.21	1,374.17
TOTALS:		$1,620,998.08	$1,446,206.61	$174,791.47

Helendale Community Services District

Date:	December 3, 2020
TO:	Board of Directors
FROM:	Kimberly Cox, General Manager
BY:	Cheryl Vermette, Program Coordinator
SUBJECT:	Agenda item # 9 Discussion and Possible Action Regarding Approval of Additional Funds for the AMI Meter Rotation Program

STAFF RECOMMENDATION:

Approve increase in purchase order for Aqua Metrics

STAFF REPORT:

Helendale CSD began a meter rotation program in 2017 after determining that the District's existing meters were either reaching or had already surpassed the end of their useful life. Older meters do not read as accurately and have a harder time reading very low flows. Staff began rotating out all the District's AMR meters with new AMI Smart meters. The District has been successful in receiving several grants to help fund this program.

The pilot program was fully funded with a Strategic Partners Grant from Mojave Water Agency. Under this grant 109 meters and 54 new radios were installed. In 2019, the District received another Strategic Partners grant funding the installation of 48 meters and 27 radios. In 2020, we received another grant funding the installation of 80 meters and 40 radios. We have received a total of $57,841.53 under the Strategic Partners Program.

In 2016, the District received a Bureau of Reclamation Grant which funded the installation of 400 meters and 378 radios. This program was entitled "Advanced Metering Infrastructure Smart Meter Installation Program Phase I." Phase I ended in August 2018. In 2019, we received a second grant, "Advanced Metering Infrastructure Smart Meter Installation Program Phase II," which will fund the installation of 800 meters and 400 radios. This installations for this phase must be complete by November 2021. By the end of November 2021, the District will have 1,566 AMI meters installed.

The AMI software should be online by January 2021, which will allow Staff to get meter reads remotely. Staff will not only be able to get monthly meter reads they will be able to get reads for closing bills and detect unusual usage from the office. This will not only increase efficiency and save staff time but also enhance our conservation programs.

In August 2020, Staff requested $60,000 for meter and radio purchases from the vendor "Aqua Metrics." To date $44,739.48 has been expended, all but $12,168.97 was for grant related expenses. A balance of $15,260.61 remains from that request. Staff is requesting to increase that request by $68,948.03 to cover our estimated grant expenditures for this fiscal year plus an additional $2,000 for non-grant related purchases for a total of $70,948 for purchases from Aqua Metrics. Our grant related expenses for Aqua Metrics this fiscal year will be $123,176.59, however we will receive a reimbursement of $65,687.42.

Staff will bring another request to the Board next fiscal year for the remaining meters that need to be purchased to complete Phase II of the Bureau of Reclamation grant.

Fiscal Impact: $70,948.03

Possible Motion: Approve increase in Purchase Order for Aqua Metrics

Attachments: None