HELENDALE COMMUNITY SERVICES DISTRICT

Financial Statements
with Independent Auditor's Report

June 30, 2018

Helendale Community Services District

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Financial Section

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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, each major fund, and the aggregate remaining fund information of Helendale Community Services District (District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to 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 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 Helendale Community Services District, as of June 30, 2018, 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.

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 12 and required supplementary information on pages 40 and 41 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 November 15, 2018, on our consideration of the District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District’s internal control over financial reporting and compliance. That report can be found on page 42 and 43.

Fedak & Brown LLP

Fedak & Brown LLP
Cypress, California
November 15, 2018

Helendale Community Services District

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Helendale Community Services District (District) financial report presents a narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2018. The District provides water and wastewater utility services and street lighting, solid waste management, graffiti removal, and parks and recreation services. Please read this discussion and analysis in conjunction with the accompanying District's financial statements and notes to the financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. This overview provides data for the financial activities during the fiscal year ended June 30, 2018. The District assumed full responsibility and authority for CSA Zones 70 B & C on April 1, 2007, without further San Bernardino County Special District's oversight or involvement thereafter. The District applies the accrual method of accounting in accordance with generally accepted accounting principles. The financial statements offer information about the District's activities for the fiscal year ended June 30, 2018. The District's fiscal year starts July 1 of each year and ends on June 30 of the following year, encompassing a twelve-month period of operation.

Fiscal year 2017-18 displays financial data for the individual enterprise funds, and each fund is shown as a standalone operation. The Park and Recreation Fund includes Rental Activities, Thrift Store, Street Lighting and Graffiti Removal to eliminate the need for separate operating funds. The administrative costs which are accounted for separately internally, are allocated amongst the individual enterprise funds at the end of the fiscal year.

The *Statement of Net Position* includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, and provides information about the nature of the components and amounts of investments in resources (assets) and obligations to creditors (liabilities). It also provides the basis for evaluating the capital structure, liquidity and overall financial integrity of the District.

The *Statement of Revenues, Expenses and Changes in Net Position* measures the success of operations for the fiscal year. It can be used to determine profitability, credit worthiness and whether all costs were successfully recovered through service charges, user fees, other revenue, and taxes.

The *Statement of Cash Flows* provides information about cash receipts and cash payments. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, financing, and investing activities. It accounts for the changes in cash and cash equivalents from July 1, 2017, through June 30, 2018, and displays cash received, cash spent, and the net change in the amount of cash and cash equivalents.

HIGHLIGHTS

Water Fund

Current assets consist of cash, receivables and prepaid expenses. The District has made significant investments in water rights to serve current and future needs of the community. Permanent water rights are an asset to the District and increase the amount of free production allowance (FPA) or water that the District can pump to meet customer needs. Any excess water unused at the end of the Water Year (October 1 – September 30) can be leased to another water user. This revenue, however, should not be relied upon as the market is dynamic and subject to supply and demand vulnerabilities. In 2017-18 the District pumped 1,513 acre feet, and in 2016-17 pumping was 1,523 acre feet, which is 10 acre feet less than the previous year. Pumping changes were partially attributed to the development of two new baseball fields at the Community Park, and lower consumer demand.

The District currently owns 3,707 acre feet in Base Annual Production. For an explanation of BAP, the Mojave basin adjudication and water rights administered by the Mojave Agency Watermaster can be downloaded from the Mojave Agency Watermaster 2016-17 Twenty-Fourth Annual Report at http://www.mojavewater.org/downloads.html. During 2017-18 the District leased 705 acre feet in carryover water rights to the Victorville Water District Improvement District #1. The total revenue generated from this temporary lease is $283,410. This is unpredictable revenue and should not be relied upon annually due to uncertain market conditions. To satisfy the make-up obligation to an adjacent sub-basin, the District leased 122 acre feet from Aqua Capital Management for $5,490.

- Current assets as of June 30, 2018, for the water fund are $1,310,942 and consist of cash, receivables and prepaid expenses.
- Noncurrent capital assets as of June 30, 2018, net of accumulated depreciation and amortization, are $10,993,562. Noncurrent capital assets consist of water wells, water rights, property, equipment and vehicles, asset purchases and infrastructure improvements made during the fiscal year.
- Deferred outflows of resources as of June 30, 2018, include $212,796 that are pension related, and will be amortized into operating expenses over time.
- Current liabilities as of June 30, 2018, are $537,139, and include accounts payable, accrue payroll, customer deposits, and the current portion of compensated absences and notes payable.
- Noncurrent liabilities as of June 30, 2018, are $4,320,609. This category includes notes payable of $4,124,745. This represents the Water Fund's share of the $2.8 million borrowed from Municipal Finance Corporation for the purchase or lease of water rights and the construction of Well 1A and $500,000 borrowed to construct Well 4A and the $4,000,000 loan for the purchase of water rights. Well 1A went into service in July 2010 and Well 4A went into service in September 2011. Noncurrent liabilities also include the net pension liability of $173,296 as determined by the California Public Employees Retirement System (CalPERS) actuarial report. This category also includes the long-term portion of compensated absences

Water Fund (continued)

- Deferred inflows of resources as of June 30, 2018, include $22,152 that are pension related, and will be amortized into operating revenue over time.
- Total Water Fund net position is $7,637,400.
- Water Fund activities resulted in an operating income of $985,800 that includes depreciation of Water Fund capital assets. The District does not fund depreciation in its annual budget. Non-operating income of $65,093 are from property taxes, investment income, and other income. Non-operating expense of $190,155 is from interest expense.
- Administrative costs and revenue are accounted for separately during the fiscal year and then allocated to the enterprise funds at year-end. . Revenue associated with administration includes franchise fees, site rentals, a minute portion of property taxes and other miscellaneous income. Expenditures include administrative salaries and benefits as well as administrative operating expenses. Fifty percent of indirect administrative costs are allocated to the Water Fund.

Wastewater Fund

- Current assets as of June 30, 2018, for the wastewater fund are $4,208,458 and consist of cash, investments, receivables, due from other funds, and prepaid expenses. The park fund borrowed funds for improvements at Helendale Community Park and its rental units at the facility.
- Noncurrent assets include capital assets as of June 30, 2018, net of accumulated depreciation and amortization of $2,213,340 and an interfund loan receivable of $748,269. Capital assets consist of the wastewater plant, property and equipment, improvements from previous fiscal years, and improvements made during the fiscal year.
- Deferred outflows of resources as of June 30, 2018, include $174,873 that are pension related, and will be amortized into operating expenses over time.
- Current liabilities as of June 30, 2018, are $246,072 and consist of accounts payable, accrued payroll, and the current portion of compensated absences and notes payable.
- Noncurrent liabilities as of June 30, 2018, are $996,275. This category includes notes payable of $590,990. This represents the Wastewater Fund's share of the $2.8 million borrowed from Municipal Finance Corporation to reimburse the District for construction of new treatment plant headworks, clarifier recoating, construction of new sludge drying beds, and other plant improvements. Noncurrent liabilities also include the net pension liability of $142,411 as determined by the California Public Employees Retirement System (CalPERS) actuarial report. This category also includes the long-term portion of compensated absences. In fiscal year 2018, the loan amount of $214,741 was transferred from the Park and Recreation Fund to the Wastewater Fund along with the expanded irrigation land transfer.
- Deferred inflows of resources as of June 30, 2018, include $18,204 that are pension related, and will be amortized into operating revenue over time.
- Total Wastewater Fund net position is $6,330,461.

Wastewater Fund (continued)

- Wastewater Fund activities resulted in an operating income of $24,412. Revenue consists of monthly sewer fees of $36.64 per equivalent dwelling unit (EDU). The District does not fund depreciation in its annual budget. Non-operating revenues of $47,202 are from connection fees, investment income, other income, and a gain on sale of capital assets. Non-operating expenses of $17,891 are from interest expense.
- Administrative costs and revenue are accounted for separately during the fiscal year and then allocated to the enterprise funds at year-end. Revenue associated with administration includes franchise fees, property taxes and other miscellaneous income. Expenditures include administrative salaries and benefits as well as administrative operating expenses. Forty nine percent of indirect administrative costs are allocated to the Wastewater Fund.

Parks and Recreation Fund

- The Park and Recreation Fund accounts for park operations and rental activities, the Helendale Recycling Center, and also includes street lighting and graffiti removal costs. Electrical expense for street lighting is accounted for separately within the fund, and the fund has allocated an increased share of general property taxes equal to the amount of that specific electrical expense.
- Current assets as of June 30, 2018, for the Park and Recreation Fund are $47 and consist of prepaid expenses.
- Noncurrent capital assets as of June 30, 2018, for the Parks and Recreation Fund consist of net capital assets of $2,623,072. It consists of the park property and structures, the community center, recycling center and administrative offices, and vehicles and equipment.
- Deferred outflows of resources as of June 30, 2018, include $4,214 that are pension related, and will be amortized into operating expenses over time.
- Current liabilities as of June 30, 2018, are $253,634 and consist of accounts payable, accrued payroll, an interfund loan from the Sewer Fund for park improvements, general administrative offices, and the current portion of compensated absences and notes payable.
- Noncurrent liabilities as of June 30, 2018, are $1,798,229. This balance represents the Parks and Recreation Fund's share of the $2.8 million borrowed from the Municipal Finance Corporation to purchase the Silver Lakes Farm property on which is the Helendale Community Park, for the $500,000 borrowed to purchase and upgrade the Community Center, and a 10-year interfund loan from the Wastewater Fund for park improvements. Noncurrent liabilities also includes the net pension liability of $3,432 as determined by the California Public Employees Retirement System (CalPERS) actuarial report. This category also includes the long-term portion of compensated absences.
- Deferred inflows of resources as of June 30, 2018, include $439 that are pension related, and will be amortized into operating revenue over time.
- Total Parks and Recreation Fund net position as of June 30, 2018, is $575,031.

Parks and Recreation Fund (continued)

- Operating revenue for the Parks and Recreation Fund includes rental income from ten units on the park property, rental from the water department for their shop, rental from Community Center uses. Rental income, charges for services, and other services, and totaled $283,635. Charges for services represent the fees collected from classes as well as rental for other functions held in the Community Center. This fiscal year the Recycling Center generated $302,466 in gross revenue of which the net proceeds will go to park and Community Center improvements and programs per Board of Directors action. The net operating income for 2017-18 is $24,688.
- Operating expenses include the maintenance and repair of park rental units, and for park property cleanup. The utility costs include street lighting electricity, electricity for rental units and irrigation wells, trash collection and gas provided for park owned facilities. Operating expenses, including depreciation on park assets, totaled $572,682.
- Non-operating revenue was $185,276 and consists of property taxes, franchise fees and other income. Non-operating expense is interest expense of $59,699 consisting of the interest payment on the 20-year loan received from the Municipal Finance Corporation in December 2008 for the purchase of the Helendale Community Park, and for $500,000 borrowed in September 2011 to purchase and upgrade the Community Center and administrative offices. The 2008 loan was refinanced in December 2014 which reduced the semi-annual interest payment.
- The combination of operating income and non-operating income, transfers in and capital grants resulted in a net increase for the Park and Recreation Fund of $290,904 for the fiscal year.
- During the year major improvements occurred at the park including the installation of playground equipment, completion of three large picnic shelters, installation of two baseball fields and handicapped parking and sidewalks.

Solid Waste Fund

- The District collects a special assessment of $85.14 per single family resident to offset the disposal fees paid to the County Landfill for the disposal of the weekly curbside pickup. In addition, the District issues dump passes to residents wanting to haul their own trash to the dump in lieu of the weekly curbside pickup offered by Burrtec. The dump pass will also cover large volumes of residential trash that will not fit in the residential-size containers. The fee also funds the two clean-up days each year and a robust bulky item pickup program that offers curbside pickup of items too large for the residential cart.
- Current assets as of June 30, 2018, are $429,360 and consist of cash, accounts receivable, taxes and assessments receivable, and prepaid expenses.
- Noncurrent assets as of June 30, 2018, consist of net capital assets of $405 which include equipment.
- Deferred outflows of resources as of June 30, 2018, include $29,497 that are pension related, and will be amortized into operating expenses over time.
- Current liabilities as of June 30, 2018, of $51,473 include accounts payable, accrued payroll, and the current portion of compensated absences.

Solid Waste Fund (continued)

- Noncurrent liabilities as of June 30, 2018, include compensated absences of $1,450 and net pension liability of $24,021.
- Deferred inflows of resources as of June 30, 2018, include $3,071 that are pension related, and will be amortized into operating revenue over time.
- Total Solid Waste Fund net position as of June 30, 2018, is $379,247. The total of net position plus total liabilities and deferred inflows of resources equals the total sum of assets and deferred outflows of resources, or $459,262.
- Operating Income includes charges for services of $469,859. This amount represents the billing that the District does on behalf of the solid waste hauler. The refuse collection charges are included in the District's monthly utility service bill. Other services includes delinquent charges on late accounts.
- Expenses include salaries and benefits, contractual services and professional fees totaling $740,844. Contractual services of $600,429 include the cost of residential trash disposal tipping fees paid by the hauler and reimbursed by the District to the hauler. Two staff persons are assigned to this fund full-time.
- Special assessments of $85.14 per single family residence for solid waste fees included in non-operating revenues were $244,445.
- Operations resulted in a change in net position of ($19,946).
- Administrative costs and revenue are accounted for separately during the fiscal year and then allocated to the enterprise funds at year-end. Revenue associated with administration includes franchise fees, property taxes and other miscellaneous income. Expenditures include administrative salaries and benefits as well as administrative operating expenses. One percent of indirect administrative costs are allocated to the Solid Waste Fund.

FINANCIAL ANALYSIS OF HELENDALE COMMUNITY SERVICES DISTRICT

One of the most important questions to ask when assessing the financial condition of the District is whether the District is better off or worse off as a result of its activities. The *Statement of Net Position* and the *Statement of Revenues, Expenses and Changes in Net Position* provide information about the District's activities to help answer this question. These two statements report the net position of the District. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. However, other local, regional, national and global non-financial factors must also be considered.

NET POSITION

A summary of the District's *Statement of Net Position* is presented in Table A-1.

Table A-1
Condensed Statements of Net Position
June 30, 2018 and 2017

	2018	2017	Change
Assets			
Current Assets	$ 5,948,807	$ 5,817,199	$ 131,608
Noncurrent Assets	16,578,648	15,968,187	610,461
Total Assets	22,527,455	21,785,386	742,069
Deferred Outflows	421,380	463,031	(41,651)
Liabilities			
Current Liabilities	1,088,318	2,002,927	(914,609)
Long-Term Liabilities	6,894,512	6,395,345	499,167
Total Liabilities	7,982,830	8,398,272	(415,442)
Deferred Inflows	43,866	33,705	10,161
Net Position			
Net investment in capital assets	9,735,560	9,553,733	181,827
Unrestricted	5,186,579	4,262,707	923,872
Total Net Position	$ 14,922,139	$ 13,816,440	$ 1,105,699

Table A-1 shows the net position as a result of operations for the fiscal years ended June 30, 2018 and 2017. Net position is inclusive of actual fixed plant, equipment, reservoirs, distribution systems, collection systems, and park property within the District and the amount of unrestricted net position.

REVENUES, EXPENSES AND CHANGES IN NET POSITION

While the statement of net position shows the financial position of the District at the end of the year, the statement of revenues, expenses and changes in net position provides an explanation as to the nature and source of the changes in net position during the year.

REVENUES, EXPENSES AND CHANGES IN NET POSITION (continued)

As shown in Table A-2, combined District operations (water, wastewater, parks and recreation, and solid waste) resulted in a net operating income of $770,097. Total non-operating revenues and expenses from investment income, connection fees, property taxes, assessments, franchise fees, other income, and interest expenses totaled $274,683. The result of operations and non-operating revenues for the year ended June 30, 2018, increased combined net position by $1,105,699. Table A-2 shows the change in net position for the fiscal years ended June 30, 2018 and 2017.

Table A-2
Condensed Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2018 and 2017

	2018	2017	Change
Operating Revenues			
Water sales	$2,040,516	$1,462,206	$ 578,310
Wastewater charges	1,277,627	1,277,663	(36)
Sale of leased water rights	296,805	198,588	98,217
Rental income	283,635	273,848	9,787
Charges for service	570,129	589,533	(19,404)
Connection fees	39,518	-	39,518
Recycling center sales	302,466	289,337	13,129
Other services	93,660	131,087	(37,427)
Total Operating Revenue	4,904,356	4,222,262	682,094
Operating Expenses			
Source of supply	34,141	37,144	(3,003)
Pumping and collection	66,295	134,320	(68,025)
Treatment	18,734	11,183	7,551
Customer accounts	1,274	12,556	(11,282)
Administrative and general	3,313,274	3,065,160	248,114
Depreciation and amortization	700,541	818,573	(118,032)
Total Operating Expenses	4,134,259	4,078,936	55,323
Operating Income (Loss)	770,097	143,326	626,771
Nonoperating Revenues (Expenses)			
Taxes and assessments	487,199	394,889	92,310
Investment income and other revenue	48,936	79,801	(30,865)
Interest expense	(267,745)	(280,837)	13,092
Gain (loss) on sale of capital assets	6,293	(9,212)	15,505
Total Nonoperating Revenues (Expenses)	274,683	184,641	90,042
Contributions			
Capital grants	60,919	35,000	25,919
Change in Net Position	$1,105,699	$ 362,967	$ 716,813

CAPITAL ASSETS AND DEBT ADMINISTRATION

At June 30, 2018, the District had $29,712,919 invested in infrastructure including land, land improvements, water rights, plant and buildings, office equipment, trucks and autos, and construction in progress as shown in Table A-3 below. Accumulated depreciation on these assets totaled $13,882,540 resulting in a net capital asset investment of $15,830,379.

Table A-3
Condensed Schedule of Capital Assets
June 30, 2018 and 2017

	2018	2017	Change
Capital Assets			
Land	$ 919,532	$ 919,532	$ -
Structures and improvements	21,128,258	20,467,045	661,213
Equipment	942,969	896,782	46,187
Vehicles	457,560	424,574	32,986
Water rights and other intangibles	6,231,393	6,231,393	-
Construction in progress	33,207	217,860	(184,653)
Total Capital Assets	29,712,919	29,157,186	555,733
Accumulated depreciation	(13,882,540)	(13,188,999)	(693,541)
Total Capital Assets, net	$ 15,830,379	$ 15,968,187	$ (137,808)

DEBT

Notes Payable

On December 23, 2008, the District entered into an Installment Sale Agreement to provide financing for the acquisition of Silver Lakes Farm, for the purchase of water rights, development of a replacement water well, and for improvements to the wastewater treatment facility. The District refinanced the loan in December 2014 to 4.1% for the balance of the 15 years remaining. The refinance saves the District $204,407 over the remaining life of the loan. The semi-annual installments are paid in June and December of each year.

On June 1, 2011, the District entered into an Installment Sale Agreement to provide financing for the development of a replacement for water well 4A, and for the construction or purchase of a District Community Center. The amount of the agreement was $1,000,000 maturing in 20 years at 5.25% payable in semi-annual installments in March and September of each year.

In August 2014, the District acquired 814 acre feet of permanent water rights with a $4,000,000 loan from Citizens Business Bank at 4.25% for 20 years. The annual debt payment is $289,895 paid in semi-annual installments in February and August.

LIABILITIES

Current liabilities, or amounts owed in the short term, are shown in Table A-4.

Table A-4
Condensed Schedule of Current Liabilities
June 30, 2018 and 2017

	2018	2017	Change
Current Liabilities			
Accounts payable	$ 251,458	$ 176,810	$ 74,648
Accrued payroll	68,681	33,997	34,684
Accrued expenses	1,867	1,698	169
Accrued interest payable	68,352	71,307	(2,955)
Customer deposits	187,232	194,535	(7,303)
Unearned revenue	1,000	-	1,000
Due to other funds	25,713	1,160,944	(1,135,231)
Current portion of compensated absences payable	57,000	44,000	13,000
Current portion of interfund loan payable	93,738	-	93,738
Current portion of notes payable	333,277	319,636	13,641
Total Current Liabilities	$ 1,088,318	$ 2,002,927	$ (914,609)

NET POSITION

Net position is comprised of $9,735,560 net investment in capital assets, and $5,186,579 in unrestricted net position. Total net position as of June 30, 2018, was $14,922,139, which is an increase of $1,105,699 from the prior year total net position of $13,816,440.

CONTACTING THE DISTRICT

This financial report is designed to provide the residents and others within the Helendale Community Services District's boundary and its customers with a general overview of the District's finances and to show the District's accountability for the money it receives and spends. If you have questions about this report or need additional financial information, contact Kimberly Cox, General Manager at:

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Basic Financial Statements

Statement of Net Position
June 30, 2018

	Water	Wastewater	Parks and Recreation	Solid Waste	Total
Assets					
Current Assets:					
Cash and cash equivalents	$ 867,506	$ 13,269	$ -	$ 379,789	$ 1,260,564
Investment pools	188,794	3,925,261	-	-	4,114,055
Accounts receivable	241,199	130,604	-	45,987	417,790
Taxes and assessments receivable	9,118	10,571	-	3,451	23,140
Interest receivable	16	16	-	-	32
Other receivables	3,961	9,000	-	-	12,961
Due from other funds	-	25,713	-	-	25,713
Prepaid expenses	348	286	47	133	814
Interfund loan receivable	-	93,738	-	-	93,738
Total Current Assets	1,310,942	4,208,458	47	429,360	5,948,807
Noncurrent Assets:					
Capital Assets:					
Nondepreciable:					
Land	169,494	445,367	304,671	-	919,532
Construction in progress	-	-	33,207	-	33,207
Total Nondepreciable Capital Assets	169,494	445,367	337,878	-	952,739
Depreciable:					
Structures and improvements	9,725,351	8,074,729	3,328,178	-	21,128,258
Equipment	436,400	384,949	116,275	5,345	942,969
Vehicles	241,403	157,481	58,676	-	457,560
Water rights and other intangibles	6,231,393	-	-	-	6,231,393
Total Depreciable Capital Assets	16,634,547	8,617,159	3,503,129	5,345	28,760,180
Accumulated depreciation	(5,810,479)	(6,849,186)	(1,217,935)	(4,940)	(13,882,540)
Total Depreciable Capital Assets, net	10,824,068	1,767,973	2,285,194	405	14,877,640
Total Capital Assets, net	10,993,562	2,213,340	2,623,072	405	15,830,379
Interfund loan receivable	-	748,269	-	-	748,269
Total Noncurrent Assets	10,993,562	2,961,609	2,623,072	405	16,578,648
Total Assets	12,304,504	7,170,067	2,623,119	429,765	22,527,455
Deferred Outflows of Resources					
Pension related	212,796	174,873	4,214	29,497	421,380
Total Deferred Outflows of Resources	212,796	174,873	4,214	29,497	421,380

The accompanying notes are an integral part of these financial statements.

Statement of Net Position (continued)
June 30, 2018

	Water	Wastewater	Parks and Recreation	Solid Waste	Total
Liabilities					
Current Liabilities:					
Accounts payable	$ 47,396	$ 141,481	$ 15,410	$ 47,171	$ 251,458
Accrued payroll	31,998	30,231	3,290	3,162	68,681
Accrued expenses	-	-	1,867	-	1,867
Accrued interest payable	61,707	479	6,166	-	68,352
Customer deposits	160,203	-	27,029	-	187,232
Unearned revenue	-	-	1,000	-	1,000
Due to other funds	-	-	25,713	-	25,713
Current portion of compensated absences payable	31,350	23,370	1,140	1,140	57,000
Current portion of interfund loan payable	-	-	93,738	-	93,738
Current portion of long-term debt	204,485	50,511	78,281	-	333,277
Total Current Liabilities	537,139	246,072	253,634	51,473	1,088,318
Noncurrent Liabilities:					
Compensated absences payable	22,568	16,802	721	1,450	41,541
Interfund loan payable	-	-	748,269	-	748,269
Long-term debt	4,124,745	590,990	1,045,807	-	5,761,542
Net pension liability	173,296	142,411	3,432	24,021	343,160
Total Noncurrent Liabilities	4,320,609	750,203	1,798,229	25,471	6,894,512
Total Liabilities	4,857,748	996,275	2,051,863	76,944	7,982,830
Deferred Inflows of Resources					
Pension related	22,152	18,204	439	3,071	43,866
Total Deferred Inflows of Resources	22,152	18,204	439	3,071	43,866
Net Position					
Net investment in capital assets	6,664,332	1,571,839	1,498,984	405	9,735,560
Unrestricted	973,068	4,758,622	(923,953)	378,842	5,186,579
Total Net Position	$ 7,637,400	$ 6,330,461	$ 575,031	$ 379,247	$14,922,139

The accompanying notes are an integral part of these financial statements.

Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2018

	Water	Wastewater	Parks and Recreation	Solid Waste	Total
Operating Revenues					
Water sales	$ 2,040,516	$ -	$ -	$ -	$ 2,040,516
Wastewater charges	-	1,277,627	-	-	1,277,627
Sale of leased water rights	296,805	-	-	-	296,805
Rental income	-	-	283,635	-	283,635
Charges for services	52,946	36,623	10,701	469,859	570,129
Connection fees	29,187	10,331	-	-	39,518
Recycling center sales	-	-	302,466	-	302,466
Other services	70,423	16,487	568	6,182	93,660
Total Operating Revenues	2,489,877	1,341,068	597,370	476,041	4,904,356
Operating Expenses					
Source of supply:					
Water purchases	29,714	-	-	-	29,714
Operations, maintenance, power and replacement	4,427	-	-	-	4,427
Pumping and collection	47,414	18,881	-	-	66,295
Treatment	-	18,734	-	-	18,734
Customer accounts	1,027	-	-	247	1,274
Administrative and general:					
Salaries and benefits	769,634	654,636	191,126	126,112	1,741,508
Services and supplies	147,886	175,046	88,275	602,719	1,013,926
Professional fees	120,390	141,428	6,665	5,139	273,622
Utilities	129,746	80,169	56,849	419	267,183
Rents and leases	11,035	-	-	6,000	17,035
Other operating:					
Depreciation and amortization	242,804	227,762	229,767	208	700,541
Total Operating Expenses	1,504,077	1,316,656	572,682	740,844	4,134,259
Operating Income (Loss)	985,800	24,412	24,688	(264,803)	770,097
Nonoperating Revenues (Expenses)					
Taxes	1,812	1,776	97,658	36	101,282
Special assessments	23,307	20,718	-	244,445	288,470
Franchise fees	-	-	76,265	-	76,265
Intergovernmental	21,182	-	-	-	21,182
Investment income	13,910	13,631	-	278	27,819
Other income	4,882	4,784	11,353	98	21,117
Interest expense	(190,155)	(17,891)	(59,699)	-	(267,745)
Gain on sale of capital assets	-	6,293	-	-	6,293
Total Nonoperating Revenues (Expenses)	(125,062)	29,311	125,577	244,857	274,683
Income Before Transfers and Contributions	860,738	53,723	150,265	(19,946)	1,044,780
Transfers					
Transfers in	-	-	116,428	-	116,428
Transfers out	-	(116,428)	-	-	(116,428)
Total Transfers	-	(116,428)	116,428	-	-
Contributions					
Capital grants	27,708	9,000	24,211	-	60,919
Change in Net Position	888,446	(53,705)	290,904	(19,946)	1,105,699
Total Net Position - beginning	6,748,954	6,384,166	284,127	399,193	13,816,440
Total Net Position - ending	$ 7,637,400	$ 6,330,461	$ 575,031	$ 379,247	$ 14,922,139

The accompanying notes are an integral part of these financial statements.

Statement of Cash Flows
For the Year Ended June 30, 2018

	Water	Wastewater	Parks and Recreation	Solid Waste	Total
Cash Flows from Operating Activities					
Receipts from customers and users	$ 2,396,687	$ 1,331,187	$ 609,765	$ 476,282	$ 4,813,921
Payments for water	(29,714)	-	-	-	(29,714)
Payments for services and supplies	(458,721)	(315,165)	(146,150)	(655,473)	(1,575,509)
Payments for employee services	(671,572)	(578,593)	(188,039)	(119,634)	(1,557,838)
Net Cash Provided By (Used For) Operating Activities	1,236,680	437,429	275,576	(298,825)	1,650,860
Cash Flows from Noncapital Financing Activities					
Taxes and special assessments	25,174	18,084	97,658	244,643	385,559
Proceeds from capital grants	27,708	9,000	24,211	-	60,919
Other nonoperating revenue	26,064	4,784	87,618	98	118,564
Interfund transfers	-	(227,842)	227,842	-	-
Interfund borrowing	-	293,224	(293,224)	-	-
Net Cash Provided By Noncapital Financing Activities	78,946	97,250	144,105	244,741	565,042
Cash Flows from Capital and Related Financing Activities					
Acquisition and construction of capital assets	(111,015)	(175,102)	(276,616)	-	(562,733)
Principal paid on capital debt	(195,981)	(40,776)	(82,878)	-	(319,635)
Interest paid on capital debt	(192,752)	(17,761)	(60,187)	-	(270,700)
Proceeds from sale of capital assets	-	6,293	-	-	6,293
Net Cash Used For Capital and Related Financing Activities	(499,748)	(227,346)	(419,681)	-	(1,146,775)
Cash Flows from Investing Activities					
Investment income	15,466	15,187	-	278	30,931
Net Cash Provided By Investing Activities	15,466	15,187	-	278	30,931
Net Increase (Decrease) in Cash and Cash Equivalents	831,344	322,520	-	(53,806)	1,100,058
Cash Balance - beginning of the year	224,956	3,616,010	-	433,595	4,274,561
Cash Balance - end of the year	$ 1,056,300	$ 3,938,530	$ -	$ 379,789	$ 5,374,619
Reconciliation of Cash to the Statement of Net Position					
Cash and cash equivalents	$ 867,506	$ 13,269	$ -	$ 379,789	$ 1,260,564
Investment pools	188,794	3,925,261	-	-	4,114,055
	$ 1,056,300	$ 3,938,530	$ -	$ 379,789	$ 5,374,619

The accompanying notes are an integral part of these financial statements.

Statement of Cash Flows, (continued)
For the Year Ended June 30, 2018

	Water	Wastewater	Parks and Recreation	Solid Waste	Total
Schedule of Noncash Capital Financing Activities					
Acquisition of capital assets through:					
Transfer of construction in progress	$ -	$ -	$ 207,865	$ -	$ 207,865
	$ -	$ -	$ 207,865	$ -	$ 207,865
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities					
Operating income (loss)	$ 985,800	$ 24,412	$ 24,688	$ (264,803)	$ 770,097
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation and amortization expense	242,804	227,762	229,767	208	700,541
Changes in assets and liabilities:					
(Increase) Decrease in:					
Accounts receivable, net	(70,910)	(877)	-	241	(71,546)
Other receivables, net	(3,586)	(9,000)	-	-	(12,586)
Prepaid expenses	7,876	4,259	20	15	12,170
Deferred outflows of resources	27,979	19,600	417	(6,345)	41,651
Increase (Decrease) in:					
Accounts payable	(4,672)	114,834	5,450	(40,964)	74,648
Accrued payroll	16,514	17,695	12	463	34,684
Compensated absences payable	17,993	7,261	1,861	640	27,755
Accrued expenses	-	-	169	-	169
Customer deposits	(18,694)	(4)	11,395	-	(7,303)
Unearned revenue	-	-	1,000	-	1,000
Net pension liability	30,951	27,439	695	10,334	69,419
Deferred inflows of resources	4,625	4,048	102	1,386	10,161
Net Cash Provided By (Used For) Operating Activities	$ 1,236,680	$ 437,429	$ 275,576	$ (298,825)	$ 1,650,860

NOTE 1: REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The District's financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting, in conformity with generally accepted accounting principles in the United States of America (U.S. GAAP). Under the accrual basis of accounting, revenues are recognized in the period in which they are earned and expenses are recognized in the period in which the liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The District reports the following enterprise funds:

The **Water fund** is used to account for activities related to the District's water system.

The **Wastewater fund** is used to account for activities related to the District's wastewater system.

The **Parks and Recreation fund** is used to account for activities related to the District's parks and recreation programs, rental activities, and the thrift store.

The **Solid Waste fund** is used to account for activities related to the District's management of solid waste disposal and recycling.

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

Use of Estimates

The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States of America. Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, and revenue and expenses during the period reported. These estimates include assessing the collectability of accounts receivable, the useful lives and impairment of tangible and intangible assets, the allocation of administrative account balances and transactions between the funds, and other estimates. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Accordingly, actual results could differ from those estimates.

NOTE 1: REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash on hand, demand deposits at financial institutions, investments in money market funds and government securities that are highly liquid and readily available with an original maturity of three months or less, deposits in investment pools including the Investment Trust of California (CalTRUST) and the State of California Local Agency Investment Fund (LAIF). Deposits in the CalTRUST and LAIF can be withdrawn at any time without penalty.

Investments

Investments are stated at fair value (the value at which financial instruments could be exchanged in a current transaction between willing parties, other than in a forced liquidation sale). 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.

Allowance for Doubtful Accounts

The District considers substantially all accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts has been recorded.

Due to/Due from Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. The District reports negative cash in a fund from its pooled cash accounts as amounts due to other funds.

Prepaid Expenses

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

Capital Assets

Purchased or constructed capital assets are recorded at actual cost or estimated historical cost if actual cost is unavailable. The costs of normal maintenance and repairs are charged to operations as incurred. District policy has established a threshold of $5,000 for capitalization of depreciable capital assets. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances and any gains or losses are recognized.

Depreciation is computed using the straight-line method over the following estimated service lives:

Improvements to land	20 to 50 years
Structures and improvements	20 to 40 years
Equipment	5 to 15 years
Vehicles	5 to 10 years
Other intangibles	20 years

NOTE 1: REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee Benefits

District employees earn vacation and sick leave days based on length of service. Upon termination, the District is obligated to compensate employees for 100% of the accrued unused vacation time. Upon retirement, and after 10 years or more of continuous service, the District is obligated to compensate employees for 50% of the accrued unused sick leave to a maximum of 1,000 hours. Changes in compensated absences payable during the year were as follows:

Beginning of Year	Additions	Deletions	End of Year	Current Portion	Noncurrent Portion
$ 70,786	$ 57,357	$ (29,602)	$ 98,541	$ 57,000	$ 41,541

The District provides health benefits through a cafeteria plan, which includes health, dental and vision care to eligible District employees. Benefit expenses are recognized in the period in which the benefits were provided.

Restricted Resources

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

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expenses) until then. The District currently has pension related deferred outflows of resources.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District currently has pension related deferred inflows of resources.

Net Position

Net position is categorized as follows:

> **Net Investment in Capital Assets** – This component of net position consists of capital assets, net of accumulated depreciation and reduced by any outstanding debt against the acquisition, construction or improvement of those assets.
>
> **Restricted Net Position** – This component of net position consists of constraints placed on net position use through external constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. The District did not have any restricted net position as of June 30, 2018.
>
> **Unrestricted Net Position** – This component of net position consists of net position that does not meet the definition of *restricted* or *net investment in capital assets*.

NOTE 1: REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Operating and Nonoperating Activities

Revenues and expenses are distinguished between operating and nonoperating items. Operating revenues generally result from providing services in connection with the District's principal ongoing operations. Operating expenses include costs associated with the purchasing, pumping, and distribution of water, the pumping, treatment, and transmission of wastewater, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

Property Taxes

Property taxes are attached as an enforceable lien on property as of March 1. Taxes are levied on July 1, and are due in two installments. The first installment is due on November 1, and is payable through December 10, without penalty. The second installment is due February 1, and becomes delinquent on April 10. Property taxes are remitted to the District from the County of San Bernardino at various times throughout the year.

Transfers

reallocation of resources between funds of the reporting entity are classified as interfund transfers. Transfers are used to move unrestricted resources from one fund to another in accordance with budgetary authorizations.

Contributions

represent cash and/or capital assets contributed to the District by other governmental agencies for the acquisition, construction or improvement of the District's capital assets.

Pension Plans

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

Accounting standards require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used.

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

NOTE 2: CASH AND INVESTMENTS

The District's cash and investments are pooled between four funds. Negative cash in a fund is reclassified as due to other funds in the Statement of Net Position. Cash and investments as of June 30, 2018, are classified in the accompanying financial statements as follows:

	Water	Wastewater	Parks and Recreation	Solid Waste	Total
Statement of Net Position:					
Cash and cash equivalents	$ 867,506	$ 13,269	$ -	$ 379,789	$ 1,260,564
Investment pools	188,794	3,925,261	-	-	4,114,055
Totals	$ 1,056,300	$ 3,938,530	$ -	$ 379,789	$ 5,374,619

Cash and investments as of June 30, 2018 consisted of the following:

	Water	Wastewater	Parks and Recreation	Solid Waste	Total
Cash on hand	$ -	$ 300	$ -	$ -	$ 300
Deposits with financial institutions	867,506	12,969	-	379,789	1,260,264
Deposits with investment pools	188,794	3,925,261	-	-	4,114,055
Total Cash and Investments	$ 1,056,300	$ 3,938,530	$ -	$ 379,789	$ 5,374,619

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

The table below identifies the investment types that are authorized by the District in accordance with Section 53601 of the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Bills, Notes and Bonds	5 years	100%	None
Government Agency Securities	None	100%	None
Banker's Acceptances	270 days	25%	5%
Commercial Paper	None	15%	10%
Negotiable Certificates of Deposit	5 years	25%	None
Repurchase Agreements	1 year	20%	None
California Local Agency Investment Fund	N/A	None	$65,000,000
Medium-Term Notes	5 years	30%	None
Money Market Mutual Funds	90 days	20%	None
Collateralized Bank Deposits	None	10%	None
Investment Pools	None	40%	$10,000,000

NOTE 2: CASH AND INVESTMENTS (continued)

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

As of June 30, 2018, the District had the following investments and maturities:

	Fair Value	Maturity
California Local Agency Investment Fund (LAIF)	$ 6,679	6 months average
Investment Trust of California (CalTRUST)	4,107,376	18 months average
Total	$ 4,114,055	

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

At June 30, 2018, the District did not hold investments that were highly sensitive to interest rate fluctuations beyond that already indicated in the information provided above.

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. Credit ratings of investments as of June 30, 2018, met or exceeded the minimum legal ratings required by the California Government Code (or the District's investment policy, where more restrictive).

Concentration of Credit Risk

The District's investment policy is to apply the prudent investor standard as set forth in the California Government Code: Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments.

The investment policy of the District contains limitations on the amounts that can be invested in any one issuer. At June 30, 2018, the District did not hold any investments in any one issuer (other than external investment pools) that represent 5% or more of total District investments.

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

NOTE 2: CASH AND INVESTMENTS (continued)

Custodial Credit Risk (continued)

As of June 30, 2018, $936,979 of the District's demand deposits in an interest bearing account with a financial institution were in excess of federal depository insurance limits and were collateralized by an interest in an undivided collateral pool as required by State law.

Investment in External Investment Pools

State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF), which is part of the Pooled Money Investment Account that is regulated by the California Government Code under the oversight of the State Treasurer, Director of Finance and State Controller. The District may invest up to $65,000,000 in the LAIF fund. Investments in LAIF are highly liquid, as deposits can be converted to cash within 24 hours without loss of interest. All investments with LAIF are secured by the full faith and credit of the State of California. Separate LAIF financial statements are available from the California State Treasurer's Office on the Internet at www.treasurer.ca.gov.

The District's investment in this pool is reported in the accompanying financial statements at cost which approximates fair value 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.

Investment Trust of California

The District voluntarily participates in the Investment Trust of California (CalTRUST), a Joint Powers Authority (JPA), established by public agencies in California for the purpose of pooling and investing local agency funds, operating reserves, and bond proceeds. A Board of Trustees supervises and administers the investment program of the Trust. The Board is comprised of experienced investment officers and policy-makers of the public agency members.

For the CalTRUST Short-Term, Medium-Term, and Long-Term Accounts, funds from all participants are pooled in each of the accounts. Participants receive units in the Trust and designated shares for the particular accounts in which they invest. The District invests in the Short-Term and Medium-Term Accounts, with targeted investment durations of up to two years.

CalTRUST invests in fixed income securities eligible for investment pursuant to California Government Code Sections 53601, et. seq. and 53635, et. seq. Investment guidelines adopted by the Board of Trustees may further restrict the types of investments held by the Trust, and leveraging within the Trust's portfolios is prohibited. Separate CalTRUST financial statements are available from the Trustee on the Internet at www.caltrust.org.

NOTE 3: CAPITAL ASSETS

Summaries of changes in capital assets in service for the year ended June 30, 2018, were as follows:

	Balance June 30, 2017	Additions	Deletions	Interfund Transfers	Balance June 30, 2018
Water Fund					
Land	$ 169,494	$ -	$ -	$ -	$ 169,494
Total Nondepreciable Capital Assets	169,494	-	-	-	169,494
Structures and improvements	9,691,034	34,317	-	-	9,725,351
Equipment	399,688	43,212	(6,500)	-	436,400
Vehicles	207,917	33,486	-	-	241,403
Water rights and other intangibles	6,231,393	-	-	-	6,231,393
Total Depreciable Capital Assets	16,530,032	111,015	(6,500)	-	16,634,547
Accumulated depreciation	(5,574,175)	(242,804)	6,500	-	(5,810,479)
Total Depreciable Capital Assets, net	10,955,857	(131,789)	-	-	10,824,068
Total Capital Assets, net	$ 11,125,351	$ (131,789)	$ -	$ -	$ 10,993,562
Wastewater Fund					
Land	$ 119,212	$ -	$ -	$ 326,155	$ 445,367
Total Nondepreciable Capital Assets	119,212	-	-	326,155	445,367
Structures and improvements	7,909,102	165,627	-	-	8,074,729
Equipment	375,474	9,475	-	-	384,949
Vehicles	157,981	-	(500)	-	157,481
Total Depreciable Capital Assets	8,442,557	175,102	(500)	-	8,617,159
Accumulated depreciation	(6,621,924)	(227,762)	500	-	(6,849,186)
Total Depreciable Capital Assets, net	1,820,633	(52,660)	-	-	1,767,973
Total Capital Assets, net	$ 1,939,845	$ (52,660)	$ -	$ 326,155	$ 2,213,340
Parks and Recreation Fund					
Land	$ 630,826	$ -	$ -	$ (326,155)	$ 304,671
Construction in progress	217,860	252,367	(437,020)	-	33,207
Total Nondepreciable Capital Assets	848,686	252,367	(437,020)	(326,155)	337,878
Structures and improvements	2,866,909	461,269	-	-	3,328,178
Equipment	116,275	-	-	-	116,275
Vehicles	58,676	-	-	-	58,676
Total Depreciable Capital Assets	3,041,860	461,269	-	-	3,503,129
Accumulated depreciation	(988,168)	(229,767)	-	-	(1,217,935)
Total Depreciable Capital Assets, net	2,053,692	231,502	-	-	2,285,194
Total Capital Assets, net	$ 2,902,378	$ 483,869	$ (437,020)	$ (326,155)	$ 2,623,072

NOTE 3: CAPITAL ASSETS (continued)

	Balance June 30, 2017	Additions	Deletions	Reclassifi-cations	Balance June 30, 2018
Solid Waste Fund					
Equipment	$ 5,345	$ -	$ -	$ -	$ 5,345
Total Depreciable Capital Assets	5,345	-	-	-	5,345
Accumulated depreciation	(4,732)	(208)	-	-	(4,940)
Total Depreciable Capital Assets, net	613	(208)	-	-	405
Total Capital Assets, net	$ 613	$ (208)	$ -	$ -	$ 405
Combined - All Funds					
Land	$ 919,532	$ -	$ -	$ -	$ 919,532
Construction in progress	217,860	252,367	(437,020)	-	33,207
Total Depreciable Capital Assets	1,137,392	252,367	(437,020)		952,739
Structures and improvements	20,467,045	661,213	-	-	21,128,258
Equipment	896,782	52,687	(6,500)	-	942,969
Vehicles	424,574	33,486	(500)	-	457,560
Water rights and other intangibles	6,231,393	-	-	-	6,231,393
Total Depreciable Capital Assets	28,019,794	747,386	(7,000)	-	28,760,180
Accumulated depreciation	(13,188,999)	(700,541)	7,000	-	(13,882,540)
Total Depreciable Capital Assets, net	14,830,795	46,845	-	-	14,877,640
Total Capital Assets, net	$ 15,968,187	$ 299,212	$ (437,020)	$ -	$ 15,830,379

Depreciation expense for the year ended June 30, 2018, was:

Fund	Amount
Water	$ 242,804
Wastewater	227,762
Parks and Recreation	229,767
Solid Waste	208
Total	$ 700,541

NOTE 4: INTERFUND BALANCES

Due To/From Other Funds

The composition of interfund balances as of June 30, 2018, was as follows:

Receivable Fund	Amount	Payable Fund
Wastewater	$ 25,713	Parks and Recreation

NOTE 4: INTERFUND BALANCES (continued)

Due To/From Other Funds (continued)

The interfund balance is a result of a temporary negative cash position in the Parks and Recreation Fund at yearend. The balance is expected to be paid from Parks and Recreation Fund normal operations in the subsequent year.

Interfund Loan Receivable/Payable

During the year ended June 30, 2018, the District established the repayment of an interfund loan between the Parks and Recreation Fund and the Wastewater Fund and also transferred 35 acres of land from the Parks and Recreation Fund to the Wastewater Fund as part of the future expansion of the wastewater irrigation area to spread secondary water. The initial loan amount payable by the Parks and Recreation Fund to the Wastewater Fund was $842,007. The annual payment amount is $93,738 until the balance is paid.

NOTE 5: LONG-TERM DEBT

Long-term debt activity for the year ended June 30, 2018, was as follows:

	Water	Wastewater	Parks and Recreation	Total
Balance, June 30, 2017	$ 4,525,211	$ 467,536	$ 1,421,707	$ 6,414,454
Interfund transfers of debt	-	214,741	(214,741)	-
Reductions	(195,981)	(40,776)	(82,878)	(319,635)
Balance, June 30, 2018	$ 4,329,230	$ 641,501	$ 1,124,088	$ 6,094,819
Current portion	$ 204,485	$ 50,511	$ 78,281	$ 333,277
Noncurrent portion	4,124,745	590,990	1,045,807	5,761,542
Totals	$ 4,329,230	$ 641,501	$ 1,124,088	$ 6,094,819

Long-term debt activity by debt instrument for the year ended June 30, 2018, was as follows:

	Balance at 6/30/17	Reductions	Balance at 6/30/18
2008 Installment Sale Agreement	$ 1,931,965	$ (136,049)	$ 1,795,916
2011 Installment Sale Agreement	818,715	(38,880)	779,835
2014 Installment Sale Agreement	3,663,774	(144,706)	3,519,068
	$ 6,414,454	$ (319,635)	$ 6,094,819

NOTE 5: LONG-TERM DEBT (continued)

2008 Installment Sale Agreement

The District entered into an Installment Sale Agreement (2008 Note) on December 23, 2008, in order to provide financing for acquiring and constructing various capital improvements to the District in the amount of $2,832,000, maturing in 20 years at 4.95% interest per annum. The proceeds of the 2008 Note were used for (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.

The District entered into Amendment No. 2 on December 23, 2014, amending Installment Sale Agreement dated December 23, 2008 in order to reduce the interest and produce cash flow savings to the District. Commencing on December 23, 2014, the interest rate on the unpaid principal balance of the 2008 Note was reduced from 4.95% to 3.90%. The District's savings over the course of the loan as a result of the refinancing is approximately $204,407.

As of June 30, 2018, annual debt service requirements to maturity for the 2008 Note payable, as amended, are as follows:

Year(s)	Principal	Interest	Total
2019	$ 141,408	$ 68,675	$ 210,083
2020	146,976	63,107	210,083
2021	152,764	57,319	210,083
2022	158,780	51,303	210,083
2023	165,033	45,050	210,083
2024-2028	927,923	122,492	1,050,415
2029	103,032	2,009	105,041
Totals	$ 1,795,916	$ 409,955	$ 2,205,871

The District may prepay the unpaid principal balance of the 2008 Note in whole or in part, on any installment payment date on or after December 23, 2019, by paying a prepayment price equal to the principal amount of the installment payments to be prepaid, together with the installment payment, required to be paid on such installment payment date, plus a prepayment premium as follows:

Prepayment Dates	Prepayment Premium
December 23, 2019, through June 23, 2024	1.0%
December 23, 2024, and thereafter	0.0%

The installment payments on this 2008 Note, and any redemption price payments, are payable from the net revenues of the District. Net revenues of the District have been pledged to the payment of the installment payments.

NOTE 5: LONG-TERM DEBT (continued)

2011 Installment Sale Agreement

The District entered into an Installment Sale Agreement (2011 Note) on June 1, 2011, in order to provide financing for acquiring and constructing various capital improvements to the District in the amount of $1,000,000, maturing in 20 years at 5.25% interest per annum. The proceeds of the 2011 Note were received on September 21, 2011, and used for (1) the acquisition and construction of a water well and other water projects, and (2) the purchase of the administrative facility.

As of June 30, 2018, annual debt service requirements to maturity for the 2011 Note payable are as follows:

Year(s)	Principal	Interest	Total
2019	$ 40,948	$ 40,411	$ 81,359
2020	43,126	38,233	81,359
2021	45,420	35,939	81,359
2022	47,836	33,523	81,359
2023	50,380	30,979	81,359
2024-2028	295,061	111,733	406,794
2029-2032	257,064	27,691	284,755
Totals	$ 779,835	$ 318,509	$ 1,098,344

The District may prepay the unpaid principal balance of the 2011 Note in whole or in part, on any installment payment date on or after September 21, 2018, by paying a prepayment price equal to the principal amount of the installment payments to be prepaid, together with a two percent prepayment premium thereon.

The installment payments on this 2011 Note, and any redemption price payments, are payable from the net revenues of the District. Net revenues of the District have been pledged to the payment of the installment payments.

NOTE 5: LONG-TERM DEBT (continued)

2014 Installment Sale Agreement

The District entered into an Installment Sale Agreement (2014 Note) on August 1, 2014, in order to provide financing for the acquisition of water rights in the amount of $4,000,000, maturing in 20 years at 4.25% interest per annum.

Year(s)	Principal	Interest	Total
2019	$ 150,921	$ 147,974	$ 298,895
2020	157,404	141,491	298,895
2021	164,164	134,731	298,895
2022	171,215	127,680	298,895
2023	178,569	120,326	298,895
2024-2028	1,014,699	479,776	1,494,475
2029-2033	1,252,154	242,321	1,494,475
2034-2035	429,942	18,399	448,341
Totals	$ 3,519,068	$ 1,412,698	$ 4,931,766

The District may prepay the unpaid principal balance of the 2014 Note, in whole or in part, on any installment payment date on or after August 15, 2024, by paying a prepayment price equal to the principal amount of the installment payments to be prepaid, together with a two percent premium thereon.

The installment payments on this 2014 Note, and any redemption price payments, are payable from the net revenues of the District. Net revenues of the District have been pledged to the payment of the installment payments.

Debt to Maturity Schedule

As of June 30, 2018, annual debt service requirements to maturity for all long-term debt combined are as follows:

Year(s)	Principal	Interest	Total
2019	$ 333,277	$ 257,060	$ 590,337
2020	347,506	242,831	590,337
2021	362,348	227,989	590,337
2022	377,831	212,506	590,337
2023	393,982	196,355	590,337
2024-2028	2,237,683	714,001	2,951,684
2029-2033	1,612,250	272,021	1,884,271
2034-2035	429,942	18,399	448,341
Totals	$ 6,094,819	$ 2,141,162	$ 8,235,981

NOTE 6: NET POSITION

The net investment in capital assets portion of net position at June 30, 2018, was determined as follows:

	Water	Wastewater	Parks and Recreation	Solid Waste	Total
Total capital assets	$ 10,993,562	$ 2,213,340	$ 2,623,072	$ 405	$ 15,830,379
Less: Related debt	(4,329,230)	(641,501)	(1,124,088)	-	(6,094,819)
Net investment in capital assets	$ 6,664,332	$ 1,571,839	$ 1,498,984	$ 405	$ 9,735,560

NOTE 7: DEFINED BENEFIT PENSION PLAN (PERS)

A. General Information about the Pension Plan

Plan Description

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

Benefits Provided

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

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

NOTE 7: DEFINED BENEFIT PENSION PLAN (PERS) (continued)

A. General Information about the Pension Plans (continued)

Benefits Provided (continued)

The Plan's provisions and benefits in effect at June 30, 2018, are summarized as follows:

	Miscellaneous Plan	
	Prior to	On or after
Hire date	January 1, 2013	January 1, 2013
Benefit formula	2.7 % @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 & Up	52 & Up
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.0% to 2.5%
Required employee contribution rates	7.949%	6.250%
Required employer contribution rates	11.049%	6.533%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. For public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions. Employer Contributions to the Plan for the fiscal year ended June 30, 2018, were $107,488. The actual employer payments of $108,682 made to CalPERS by the District during the measurement period ending June 30, 2017, differed from the District's proportionate share of the employer's contribution of $58,889 by $49,793, which is being amortized over the expected average remaining service lifetime in the Public Agency Cost-Sharing Multiple Employer Plan.

B. Net Pension Liability

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

NOTE 7: DEFINED BENEFIT PENSION PLAN (PERS) (continued)

B. Net Pension Liability (continued)

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

	Miscellaneous Plan
Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Actuarial Value of Assets
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Salary Increases (1)	3.3% - 14.2%
Investment Rate of Return (2)	7.15%
Mortality Rate Table (3)	Derived using CALPERS' membership data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until purchasing power protection allowance floor on purchasing power applies, 2.75% thereafter

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

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

(3) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

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

Change of Assumptions

During measurement period 2016-17, the financial reporting discount rate for the PERF C was lowered from 7.65 percent to 7.15 percent.

NOTE 7: DEFINED BENEFIT PENSION PLAN (PERS) (continued)

B. Net Pension Liability (continued)

Discount Rate

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

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

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

NOTE 7: DEFINED BENEFIT PENSION PLAN (PERS) (continued)

B. Net Pension Liability (continued)

Discount Rate (continued)

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

Asset Class	New Strategic Allocation	Real Return Years 1 - 10[1]	Real Return Years 11+[2]
Global Equity	47%	4.90%	5.38%
Global Fixed Income	19%	0.80%	2.27%
Inflation Sensitive	6%	0.60%	1.39%
Private Equity	12%	6.60%	6.63%
Real Estate	11%	2.80%	5.21%
Infrastructure and Forestland	3%	3.90%	5.36%
Liquidity	2%	(0.40%)	(0.90%)
Total	100%		

[1] An expected inflation of 2.5% used for this period

[2] An expected inflation of 3.0% used for this period

Pension Plan Fiduciary Net Position

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

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

NOTE 7: DEFINED BENEFIT PENSION PLAN (PERS) (continued)

C. Proportionate Share of Net Pension Liability

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

	Increase (Decrease)		
	Plan Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Plan Net Pension Liability (c) = (a) - (b)
Balance at: 6/30/2016 (VD)	$ 1,541,957	$ 1,268,216	$ 273,741
Balance at: 6/30/2017 (MD)	$ 1,899,563	$ 1,556,403	$ 343,160
Net Changes during 2016-17 (MP)	$ 357,606	$ 288,187	$ 69,419

Valuation Date (VD), Measurement Date (MD), Measurement Period (MP).

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

	Miscellaneous Plan
Proportionate Share - June 30, 2016	0.00788%
Proportionate Share - June 30, 2017	0.00871%
Change - Increase (Decrease)	0.00083%

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

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

	Discount Rate - 1% (6.15%)	**Current Discount Rate (7.15%)**	**Discount Rate + 1% (8.15%)**
Miscellaneous Plan Net Pension Liability	$ 604,438	$ 343,160	$ 126,764

NOTE 7: DEFINED BENEFIT PENSION PLAN (PERS) (continued)

C. Proportionate Share of Net Pension Liability (continued)

Subsequent Events

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

Recognition of Gains and Losses

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

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

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

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

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

The EARSL for the Plan for the 2016-17 measurement period is 3.8 years, which was obtained by dividing the total service years of 490,088 (the sum of remaining service lifetimes of the active employees) by 130,595 (the total number of participants: active, inactive, and retired). Note that inactive employees and retirees have remaining service lifetimes equal to 0. Also note that total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

NOTE 7: DEFINED BENEFIT PENSION PLAN (PERS) (continued)

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

As of the start of the measurement period (July 1, 2016), the District's net pension liability was $273,741. For the measurement period ending June 30, 2017 (the measurement date), the District incurred pension expense of $228,719.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	$ 79,265	$ 6,044
Differences Between Expected and Actual Experience	639	9,153
Difference Between Actual Contributions and Proportionate Share of Contributions	80,261	-
Change in Employer's Proportion	135,801	28,669
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	17,926	-
Pension Contributions Subsequent to the Measurement Date	107,488	-
Total	**$ 421,380**	**$ 43,866**

These amounts above are net of outflows and inflows recognized in the 2016-17 measurement period expense. Contributions subsequent to the measurement date of $107,488 reported with deferred outflows of resources will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

Measurement Period Ending June 30:	Miscellaneous Deferred Outflows/(Inflows) of Resources, Net
2018	$ 133,955
2019	85,606
2020	61,108
2021	(10,643)
2022	-
Thereafter	-

E. Payable to the Pension Plan

At June 30, 2018, the District reported a payable of $43,475 for the outstanding amount of contributions to the pension plan.

NOTE 8: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, including theft of, damage to, and destruction of assets, errors and omissions, and natural disasters. The District is a member of the Special District Risk Management Authority (SDRMA). The Authority was formed under a joint powers agreement pursuant to California Government Code Sections 6500 et. seq. to provide risk financing programs for member districts. Contribution development is based on the particular characteristics of the member districts. Insurance policies were purchased as follows:

General and Auto Liability, Public Officials' and Employees' Errors and Omissions and Employment Practices Liability: Total risk financing limits of $5 million per occurrence, with $500 deductible per occurrence for general liability property damage, $1,000 deductible per occurrence for auto liability property damage, and 50% co-insurance of cost expended by SDRMA, in excess of $10,000 up to $50,000, per occurrence, for employment related claims.

Employee Dishonesty: Purchased from National Union Fire Insurance Company – coverage of $400,000 per loss.

Property Loss: Purchased from Lexington Insurance Company – coverage of $1 billion per occurrence, subject to a $1,000 deductible per occurrence.

Boiler and Machinery: Purchased from Lexington Insurance Company – coverage of $100 million per occurrence, subject to a $1,000 deductible.

Public Officials Personal Liability: Coverage of $500,000 per occurrence, with an annual aggregate of $500,000 per each elected/appointed official, with deductible of $500 per claim.

Comprehensive and Collision: On selected vehicles, with deductibles of $250/$500 or $500/$1,000, as elected.

Workers' Compensation and Employer's Liability: Statutory limits per occurrence for Workers' Compensation and $5 million for Employer's Liability coverage.

Adequacy of Protection

During the past three fiscal years, none of the above programs of protection have had settlements or judgments that exceeded pooled or insured coverage. There have been no significant reductions in pooled or insured liability coverage from coverage in the prior year.

NOTE 9: INTERFUND TRANSFERS

The District transferred 35 acres of land from the Parks and Recreation Fund to the Wastewater Fund during the year ended June 30, 2018 as part of the future expansion of the wastewater irrigation area to spread secondary water. The land, associated outstanding debt, and the cumulative interest paid on the associated debt since inception was transferred between the funds. The cumulative interest previously paid by the Parks and Recreation Fund and transferred from the Wastewater Fund during the year ended June 30, 2018 was $116,428.

Required Supplementary Information

Schedule of the District's Proportionate Share of the Plan's Net Pension Liability and Related Ratios as of the Measurement Date

Last 10 Years*

Measurement Date	Employer's Proportion of the Collective Net Pension Liability[1]	Employer's Proportionate Share of the Collective Net Pension Liability	Employer's Covered Payroll	Employer's Proportionate Share of the Collective Net Pension Liability as a Percentage of the Employer's Covered-Employee Payroll	Pension's Plans Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/2014	0.00331%	$ 205,731	$ 807,545	25%	78%
6/30/2015	0.00795%	218,114	818,798	27%	82%
6/30/2016	0.00788%	273,741	898,794	30%	82%
6/30/2017	0.08710%	343,160	947,366	36%	82%

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

* Measurement period 2013-14 (fiscal year 2014-15) was the first year of implementation.

Schedule of Plan Contributions

*Last 10 Years**

Fiscal Year	Actuarially Determined Contributions	Contributions in Relation to the Actuarially Determined Contributions	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered-Employee Payroll
2014-15	$ 123,067	$ (123,067)	$ -	$ 818,798	15.03%
2015-16	97,754	(97,754)	-	898,794	10.88%
2016-17	108,682	(108,682)	-	947,366	11.47%
2017-18	107,488	(107,488)	-	949,860	11.32%

*Measurement period 2013-2014 (fiscal year 2014-2015) was the first year of implementation.

Notes to Schedule:

Change in Benefit Terms: None

Changes in Assumptions: In 2017, the accounting discount rate was reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.50 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense). In 2014, amounts reported were based on the 7.5 percent discount rate.

Report on Internal Controls and Compliance

Fedak & Brown LLP
Certified Public Accountants

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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, 2018, 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 November 15, 2018.

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.

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*.

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)*

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

Fedak & Brown LLP
Cypress, California
November 15, 2018