



Annual Financial Report

For the Fiscal Year Ended June 30, 2017

**Helendale Community Services District
Annual Financial Report
For the Fiscal Year Ended June 30, 2017**

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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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents. The accompanying financial statements of the District as of June 30, 2016, were audited by other auditors whose report dated February 13, 2017, expressed an unmodified opinion on those statements.

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, 2017, 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 42 and 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2017, 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 44 and 45.

Fedak & Brown LLP

Fedak & Brown LLP
Cypress, California
December 7, 2017



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, 2017. The District provides water and wastewater utility services and street lighting within the Silver Lakes community, and solid waste management, graffiti removal, and parks and recreation services District-wide. 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, 2017. The District assumed full responsibility and authority for CSA Zones 70 B & C on April 1, 2007, and without further San Bernardino County Special Districts oversight or involvement. 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, 2017. 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 2016-17 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, 2016, through June 30, 2017, and displays cash received, cash spent, and the net change in the amount of cash and cash equivalents. The beginning balances on July 1, 2016 reflect the ending balances from the fiscal year ended June 30, 2016.

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 2015-16 the District pumped 1,396 acre feet; and in 2016-17 pumping was 1,523 acre feet, which is 127 acre feet more than the previous year. Pumping increases can be attributed to the declaration that the State's epic drought was over.

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 2015-16 Twenty-Third Annual Report at <http://www.mojavewater.org/downloads.html>. During 2016-17 the District leased 786 acre feet in carryover water rights to the Victorville Water District Improvement District #1. The total revenue generated from this temporary lease is \$198,588. 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 118 acre feet from Aqua Capital Management for \$5,310.

- Current assets as of June 30, 2017, for the water fund are \$415,872 and consist of cash, receivables and prepaid expenses.
- Noncurrent capital assets as of June 30, 2017, net of accumulated depreciation and amortization, are \$10,955,857. 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, 2017, include \$240,775 that are pension related, and will be amortized into operating expenses over time.
- Current liabilities as of June 30, 2017, are \$530,458, and include accounts payable, accrued payroll, customer deposits, and the current portion of compensated absences and notes payable.
- Noncurrent liabilities as of June 30, 2017, are \$4,485,059. This category includes notes payable of \$4,329,229. 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 includes the net pension liability of \$142,345 as determined by the California Public Employees Retirement System (CalPERS) actuarial report. This category also includes the long-term portion of compensated absences.

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017**

Water Fund, continued

- Deferred inflows of resources as of June 30, 2017, include \$17,527 that are pension related, and will be amortized into operating revenue over time.
- Total Water Fund net position is \$6,748,954. The total of net position plus total liabilities and deferred inflows of resources equals the combined sum of total assets and deferred outflow of resources, or \$11,781,998.
- Water Fund activities resulted in an operating income of \$346,647 that includes depreciation of Water Fund capital assets. The District does not fund depreciation in its annual budget. Non-operating revenues of \$80,690 are from connection fees, property taxes, franchise fees, investment income, and other income. Non-operating expenses of \$205,380 are from interest expense and a loss on sale of capital assets.
- 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. Fifty percent of indirect administrative costs are allocated to the Water Fund.

Wastewater Fund

- Current assets as of June 30, 2017, for the wastewater fund are \$4,918,959 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 capital assets as of June 30, 2017, net of accumulated depreciation and amortization, are \$1,939,845. Noncurrent 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, 2017, include \$194,473 that are pension related, and will be amortized into operating expenses over time.
- Current liabilities as of June 30, 2017, are \$93,983 and consist of accounts payable, accrued payroll, and the current portion of compensated absences and notes payable.
- Noncurrent liabilities as of June 30, 2017, are \$562,255. This category includes notes payable of \$434,612. 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 includes the net pension liability of \$114,972 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, 2017, include \$14,156 that are pension related, and will be amortized into operating revenue over time.

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017**

Wastewater Fund, continued

- Total Wastewater Fund net position is \$6,384,166. The total of net position plus total liabilities and deferred inflows of resources equals the sum of assets and deferred outflows of resources, or \$7,054,560.
- Wastewater Fund activities resulted in an operating loss of \$24,952. 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 \$76,054 are from connection fees, investment income, and other income. Non-operating expenses of \$19,603 are from interest expense and a loss on sale of capital assets.
- 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. Fifty 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 Thrift Store, 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, 2017, for the Park and Recreation Fund are \$67 and consist of prepaid expenses.
- Noncurrent capital assets as of June 30, 2017, for the Parks and Recreation Fund consist of net capital assets of \$2,902,378. It consists of the park property and structures, the community center, thrift store and administrative offices, and vehicles and equipment.
- Deferred outflows of resources as of June 30, 2017, include \$4,631 that are pension related, and will be amortized into operating expenses over time.
- Current liabilities as of June 30, 2017, are \$1,288,898 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, 2017, include notes payable of \$1,330,977. 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, and for the \$500,000 borrowed to purchase and upgrade the Community Center. This category also includes the net pension liability of \$2,737 as determined by the California Public Employees Retirement System (CalPERS) actuarial report.
- Deferred inflows of resources as of June 30, 2017, include \$337 that are pension related, and will be amortized into operating revenue over time.

Parks and Recreation Fund, continued

- Total Parks and Recreation Fund net position as of June 30, 2017, is \$284,127. 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 \$2,918,201.
- 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 totaled \$254,247. 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 Repurposing Center/Thrift Store generated \$289,337 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 2016-17 is \$20,316.
- The 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 \$523,268.
- Non-operating revenue was \$83,951 and consists of property taxes, franchise fees and other income. Non-operating expenses of \$65,066 are from interest expense and a loss on sale of capital assets. Non-operating expenses are primarily interest expense of \$63,398 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 loss and non-operating income, transfers in and capital grants resulted in a net increase for the Park and Recreation Fund of \$108,088 for the fiscal year.
- During the year major improvements occurred at the park including the installation of playground equipment, three large picnic shelters, high voltage electrical infrastructure, ballfield lighting, and a security camera system. In addition, new carpeting was installed throughout the Community Center. Equipment purchases included a used forklift for the Repurposing Center/Thrift Store to assist with loading recyclable materials.

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 of \$483,584 consist of cash, receivables and prepaid expenses. Non-current assets consist of equipment, including trailers and a service truck for the pickup and hauling of large bulky items totaling \$613 in net capital assets.

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017**

Solid Waste Fund, continued

- Current assets as of June 30, 2017, are \$483,584 and consist of cash, accounts receivable, taxes and assessments receivable, and prepaid expenses.
- Noncurrent assets as of June 30, 2017, consist of net capital assets of \$613 which include equipment.
- Deferred outflows of resources as of June 30, 2017, include \$23,152 that are pension related, and will be amortized into operating expenses over time.
- Current liabilities as of June 30, 2017, of \$92,154 include accounts payable (due to the trash hauler for tipping fees), accrued payroll, and the current portion of compensated absences.
- Deferred inflows of resources as of June 30, 2017, include \$1,685 that are pension related, and will be amortized into operating revenue over time.
- Total Solid Waste Fund net position as of June 30, 2017, is \$399,193. 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 \$507,349.
- Administrative costs and revenue are accounted for separately during the fiscal year and then a pro-rata share is charged to the solid waste fund at year-end. Revenue associated with administration includes franchise fees, property taxes and some other income. Expenditures include administrative salaries and benefits as well as administrative operating expenses.
- Operating Income includes charges for services of \$483,098. 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.
- Special assessments of \$85.14 per single family residence for solid waste fees represents all of the non-operating revenues of \$233,995, no other property taxes were collected during the year.
- Expenses include salaries and benefits, contractual services and professional fees totaling \$687,784. Contractual services of \$592,023 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.
- Operations resulted in a change in net position of \$35,310.

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.

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017**

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, 2017 and 2016**

	<u>2017</u>	<u>2016</u>	<u>Change</u>
Assets			
Current Assets	\$ 5,817,199	\$ 5,385,878	\$ 431,321
Net Capital Assets	15,968,187	16,365,175	(396,988)
Total Assets	<u>21,785,386</u>	<u>21,751,053</u>	<u>34,333</u>
Deferred Outflows	<u>463,031</u>	<u>411,102</u>	<u>51,929</u>
Liabilities			
Current Liabilities	2,002,927	1,928,740	74,187
Long-Term Liabilities	6,395,345	6,660,011	(264,666)
Total Liabilities	<u>8,398,272</u>	<u>8,588,751</u>	<u>(190,479)</u>
Deferred Inflows	<u>33,705</u>	<u>119,931</u>	<u>(86,226)</u>
Net Position			
Net investment in capital assets	9,553,733	9,644,162	(90,429)
Unrestricted	4,262,707	3,809,311	453,396
Total Net Position	<u>\$ 13,816,440</u>	<u>\$ 13,453,473</u>	<u>\$ 362,967</u>

Table A-1 shows the net position as a result of operations for the fiscal years ended June 30, 2017 and 2016. 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.

As shown in Table A-2, combined District operations (water, wastewater, parks and recreation, and solid waste) resulted in a net operating income of \$143,326. Total non-operating revenues and expenses from investment income, connection fees, property taxes, assessments, franchise fees, other income, and interest expenses totaled \$184,641. The result of operations and non-operating revenues for the year ended June 30, 2017, increased combined net position by \$362,967. Table A-2 shows the change in net position for the fiscal years ended June 30, 2017 and 2016.

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017**

REVENUES, EXPENSES AND CHANGES IN NET POSITION, continued

**Table A-2
Condensed Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>	<u>Change</u>
Operating Revenues			
Water sales	\$ 1,462,206	\$ 1,409,567	\$ 52,639
Wastewater charges	1,277,663	1,278,369	(706)
Sale of leased water rights	198,588	613,209	(414,621)
Rental income	273,848	250,260	23,588
Charges for service	589,533	556,485	33,048
Thrift store sales	289,337	269,408	19,929
Other services	131,087	101,584	29,503
Total Operating Revenue	<u>4,222,262</u>	<u>4,478,882</u>	<u>(256,620)</u>
Operating Expenses			
Source of supply	37,144	49,436	(12,292)
Pumping and collection	134,320	182,103	(47,783)
Treatment	11,183	16,157	(4,974)
Customer accounts	12,556	11,616	940
Administrative and general	3,065,160	2,876,416	188,744
Depreciation and amortization	818,573	812,362	6,211
Total Operating Expenses	<u>4,078,936</u>	<u>3,948,090</u>	<u>130,846</u>
Operating Income (Loss)	<u>143,326</u>	<u>530,792</u>	<u>(387,466)</u>
Nonoperating Revenues (Expenses)			
Taxes and assessments	394,889	384,935	9,954
Investment income and other revenue	79,801	60,968	18,833
Interest expense	(280,837)	(293,721)	12,884
Gain (loss) on sale of capital assets	(9,212)	8,195	(17,407)
Total Nonoperating Revenues (Expenses)	<u>184,641</u>	<u>160,377</u>	<u>24,264</u>
Contributions			
Capital grants	<u>35,000</u>	<u>5,269</u>	<u>29,731</u>
Change in Net Position	<u>\$ 362,967</u>	<u>\$ 696,438</u>	<u>\$ (363,202)</u>

**Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2017**

CAPITAL ASSETS AND DEBT ADMINISTRATION

At June 30, 2017, the District had \$29,157,186 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 \$13,188,999 resulting in a net capital asset investment of \$15,968,187.

**Table A-3
Condensed Schedule of Capital Assets
June 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>	<u>Change</u>
Capital Assets			
Land	\$ 919,532	\$ 953,446	\$ (33,914)
Structures and improvements	20,467,045	20,083,456	383,589
Equipment	896,782	760,656	136,126
Vehicles	424,574	471,632	(47,058)
Water rights and other intangibles	6,231,393	6,231,393	-
Construction in progress	217,860	291,174	(73,314)
Total Capital Assets	<u>29,157,186</u>	<u>28,791,757</u>	365,429
Accumulated depreciation	<u>(13,188,999)</u>	<u>(12,426,582)</u>	<u>(762,417)</u>
Net Capital Assets	<u>\$ 15,968,187</u>	<u>\$ 16,365,175</u>	<u>\$ (396,988)</u>

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.

Helendale Community Services District

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017**

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, 2017 and 2016**

	<u>2017</u>	<u>2016</u>	<u>Change</u>
Current Liabilities			
Accounts payable	\$ 176,810	\$ 211,177	\$ (34,367)
Accrued payroll	33,997	30,930	3,067
Accrued expenses	1,698	1,751	(53)
Accrued interest payable	71,307	74,248	(2,941)
Customer deposits	194,535	196,369	(1,834)
Due to other funds	1,160,944	1,062,707	98,237
Current portion of compensated absences payable	44,000	45,000	(1,000)
Current portion of notes payable	319,636	306,558	13,078
	<hr/>	<hr/>	<hr/>
Total Current Liabilities	<u>\$ 2,002,927</u>	<u>\$ 1,928,740</u>	<u>\$ 74,187</u>

NET POSITION

Net position is comprised of \$9,553,733 net investment in capital assets, and \$4,262,707 in unrestricted net position. Total net position as of June 30, 2017, was \$13,816,440, which is an increase of \$362,967 from the prior year total net position of \$13,453,473.

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:

Helendale Community Services District
26540 Vista Road, Suite B
P.O. Box 359
Helendale, CA 92342

(760) 951-0006
kcox@helendalecsd.org

Basic Financial Statements

Helendale Community Services District

**Statement of Net Position
June 30, 2017**

	Water	Wastewater	Parks and Recreation	Solid Waste	Total
Assets					
Current Assets:					
Cash and cash equivalents	\$ 224,956	\$ 530,326	\$ -	\$ 433,595	\$ 1,188,877
Investment pools	-	3,085,684	-	-	3,085,684
Accounts receivable	170,289	129,727	-	46,228	346,244
Taxes and assessments receivable	9,173	6,161	-	3,613	18,947
Interest receivable	1,572	1,572	-	-	3,144
Other receivables	375	-	-	-	375
Due from other funds	-	1,160,944	-	-	1,160,944
Prepaid expenses	8,224	4,545	67	148	12,984
Total Current Assets	414,589	4,918,959	67	483,584	5,817,199
Noncurrent Assets:					
Capital Assets:					
Nondepreciable:					
Land	169,494	119,212	630,826	-	919,532
Construction in progress	-	-	217,860	-	217,860
Total Nondepreciable Capital Assets	169,494	119,212	848,686	-	1,137,392
Depreciable:					
Structures and improvements	9,691,034	7,909,102	2,866,909	-	20,467,045
Equipment	399,688	375,474	116,275	5,345	896,782
Vehicles	207,917	157,981	58,676	-	424,574
Water rights and other intangibles	6,231,393	-	-	-	6,231,393
Total Depreciable Capital Assets	16,530,032	8,442,557	3,041,860	5,345	28,019,794
Accumulated depreciation	(5,574,175)	(6,621,924)	(988,168)	(4,732)	(13,188,999)
Total Depreciable Capital Assets, net	10,955,857	1,820,633	2,053,692	613	14,830,795
Total Capital Assets, net	11,125,351	1,939,845	2,902,378	613	15,968,187
Total Assets	11,539,940	6,858,804	2,902,445	484,197	21,785,386
Deferred Outflows of Resources					
Pension related	240,775	194,473	4,631	23,152	463,031
Total Deferred Outflows of Resources	240,775	194,473	4,631	23,152	463,031

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

Helendale Community Services District

**Statement of Net Position (continued)
June 30, 2017**

	Water	Wastewater	Parks and Recreation	Solid Waste	Total
Liabilities					
Current Liabilities:					
Accounts payable	\$ 52,068	\$ 26,647	\$ 9,960	\$ 88,135	\$ 176,810
Accrued payroll	15,484	12,536	3,278	2,699	33,997
Accrued expenses	-	-	1,698	-	1,698
Accrued interest payable	64,304	349	6,654	-	71,307
Customer deposits	178,897	4	15,634	-	194,535
Due to other funds	-	-	1,160,944	-	1,160,944
Current portion of compensated absences payable	22,440	20,240	-	1,320	44,000
Current portion of long-term debt	195,982	32,924	90,730	-	319,636
Total Current Liabilities	529,175	92,700	1,288,898	92,154	2,002,927
Noncurrent Liabilities:					
Compensated absences payable	13,485	12,671	-	630	26,786
Long-term debt	4,329,229	434,612	1,330,977	-	6,094,818
Net pension liability	142,345	114,972	2,737	13,687	273,741
Total Noncurrent Liabilities	4,485,059	562,255	1,333,714	14,317	6,395,345
Total Liabilities	5,014,234	654,955	2,622,612	106,471	8,398,272
Deferred Inflows of Resources					
Pension related	17,527	14,156	337	1,685	33,705
Total Deferred Inflows of Resources	17,527	14,156	337	1,685	33,705
Net Position					
Net investment in capital assets	6,600,140	1,472,309	1,480,671	613	9,553,733
Unrestricted	148,814	4,911,857	(1,196,544)	398,580	4,262,707
Total Net Position	\$ 6,748,954	\$ 6,384,166	\$ 284,127	\$ 399,193	\$13,816,440

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

Helendale Community Services District

**Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2017**

	Water	Wastewater	Parks and Recreation	Solid Waste	Total
Operating Revenues					
Water sales	\$ 1,462,206	\$ -	\$ -	\$ -	\$ 1,462,206
Wastewater charges	-	1,277,663	-	-	1,277,663
Sale of leased water rights	198,588	-	-	-	198,588
Rental income	21,468	21,468	230,912	-	273,848
Charges for services	58,310	28,491	19,634	483,098	589,533
Thrift store sales	-	-	289,337	-	289,337
Other services	100,097	21,288	3,701	6,001	131,087
Total Operating Revenues	<u>1,840,669</u>	<u>1,348,910</u>	<u>543,584</u>	<u>489,099</u>	<u>4,222,262</u>
Operating Expenses					
Source of supply:					
Water purchases	25,018	-	-	-	25,018
Operations, maintenance, power and replacement	12,126	-	-	-	12,126
Pumping and collection	101,860	32,460	-	-	134,320
Treatment	-	11,183	-	-	11,183
Customer accounts	12,556	-	-	-	12,556
Administrative and general:					
Salaries and benefits	685,440	529,961	152,652	85,879	1,453,932
Services and supplies	141,190	188,866	78,487	592,023	1,000,566
Professional fees	137,570	164,565	26,793	2,563	331,491
Utilities	115,720	76,569	60,438	284	253,011
Rents and leases	15,510	4,650	-	6,000	26,160
Other operating:					
Depreciation and amortization	247,032	365,608	204,898	1,035	818,573
Total Operating Expenses	<u>1,494,022</u>	<u>1,373,862</u>	<u>523,268</u>	<u>687,784</u>	<u>4,078,936</u>
Operating Income (Loss)	<u>346,647</u>	<u>(24,952)</u>	<u>20,316</u>	<u>(198,685)</u>	<u>143,326</u>
Nonoperating Revenues (Expenses)					
Taxes	30,500	30,500	47,912	-	108,912
Special assessments	28,422	23,560	-	233,995	285,977
Franchise fees	13,223	13,224	30,000	-	56,447
Intergovernmental	428	-	-	-	428
Investment income	7,274	7,274	-	-	14,548
Other income	843	1,496	6,039	-	8,378
Interest expense	(198,299)	(19,140)	(63,398)	-	(280,837)
Loss on sale of capital assets	(7,081)	(463)	(1,668)	-	(9,212)
Total Nonoperating Revenues (Expenses)	<u>(124,690)</u>	<u>56,451</u>	<u>18,885</u>	<u>233,995</u>	<u>184,641</u>
Income Before Transfers and Contributions	221,957	31,499	39,201	35,310	327,967
Transfers					
Transfers in	-	16,794	33,887	-	50,681
Transfers out	(50,681)	-	-	-	(50,681)
Total Transfers	<u>(50,681)</u>	<u>16,794</u>	<u>33,887</u>	<u>-</u>	<u>-</u>
Contributions					
Capital grants	-	-	35,000	-	35,000
Change in Net Position	171,276	48,293	108,088	35,310	362,967
Total Net Position - beginning	<u>6,577,678</u>	<u>6,335,873</u>	<u>176,039</u>	<u>363,883</u>	<u>13,453,473</u>
Total Net Position - ending	<u>\$ 6,748,954</u>	<u>\$ 6,384,166</u>	<u>\$ 284,127</u>	<u>\$ 399,193</u>	<u>\$13,816,440</u>

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

Helendale Community Services District

**Statement of Cash Flows
For the Fiscal Year Ended June 30, 2017**

	Water	Wastewater	Parks and Recreation	Solid Waste	Total
Cash Flows from Operating Activities					
Receipts from customers and users	\$ 1,947,587	\$ 1,359,048	\$ 533,666	\$ 451,023	\$ 4,291,324
Payments for water	(25,018)	-	-	-	(25,018)
Payments for services and supplies	(530,505)	(503,906)	(173,273)	(554,202)	(1,761,886)
Payments for employee services	(737,311)	(559,219)	(152,351)	(86,168)	(1,535,049)
Net Cash Provided By (Used For) Operating Activities	654,753	295,923	208,042	(189,347)	969,371
Cash Flows from Noncapital Financing Activities					
Taxes and special assessments	60,324	58,196	47,912	234,385	400,817
Proceeds from capital grants	-	-	35,000	-	35,000
Other nonoperating revenue	14,494	14,720	36,039	-	65,253
Interfund borrowing	-	(98,237)	98,237	-	-
Net Cash Provided By (Used For) Noncapital Financing Activities	74,818	(25,321)	217,188	234,385	501,070
Cash Flows from Capital and Related Financing Activities					
Acquisition and construction of capital assets	(140,604)	(16,413)	(274,467)	-	(431,484)
Principal paid on capital debt	(187,834)	(31,677)	(87,048)	-	(306,559)
Interest paid on capital debt	(200,900)	(19,163)	(63,715)	-	(283,778)
Net Cash Used For Capital and Related Financing Activities	(529,338)	(67,253)	(425,230)	-	(1,021,821)
Cash Flows from Investing Activities					
Investment income	6,323	6,322	-	-	12,645
Net Cash Provided By Investing Activities	6,323	6,322	-	-	12,645
Net Increase in Cash and Cash Equivalents	206,556	209,671	-	45,038	461,265
Cash Balance - beginning of the year	18,400	3,406,339	-	388,557	3,813,296
Cash Balance - end of the year	\$ 224,956	\$ 3,616,010	\$ -	\$ 433,595	\$ 4,274,561
Reconciliation of Cash to the Statement of Net Position					
Cash and cash equivalents	\$ 224,956	\$ 530,326	\$ -	\$ 433,595	\$ 1,188,877
Investment pools	-	3,085,684	-	-	3,085,684
	\$ 224,956	\$ 3,616,010	\$ -	\$ 433,595	\$ 4,274,561

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

Helendale Community Services District

**Statement of Cash Flows, (continued)
For the Fiscal Year Ended June 30, 2017**

	Water	Wastewater	Parks and Recreation	Solid Waste	Total
Schedule of Noncash Capital Financing Activities					
Acquisition of capital assets through:					
Transfer of construction in progress	\$ -	\$ 33,227	\$ 291,174	\$ -	\$ 324,401
Interfund transfers	(50,681)	16,794	33,887	-	-
	<u>\$ (50,681)</u>	<u>\$ 50,021</u>	<u>\$ 325,061</u>	<u>\$ -</u>	<u>\$ 324,401</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities					
Operating income (loss)	\$ 346,647	\$ (24,952)	\$ 20,316	\$ (198,685)	\$ 143,326
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation and amortization expense	247,032	365,608	204,898	1,035	818,573
Prior year construction in process projects abandoned	-	687	-	-	687
Changes in assets and liabilities:					
(Increase) Decrease in:					
Accounts receivable, net	738	11,359	-	(38,076)	(25,979)
Other receivables, net	96,875	-	-	-	96,875
Prepaid expenses	21,581	20,620	8,156	2,903	53,260
Deferred outflows of resources	(33,168)	(23,866)	3,591	1,514	(51,929)
Increase (Decrease) in:					
Accounts payable	(15,554)	(46,920)	(15,658)	43,765	(34,367)
Accrued payroll	914	257	397	1,499	3,067
Compensated absences payable	(8,777)	5,512	-	1,609	(1,656)
Accrued expenses	-	-	(53)	-	(53)
Customer deposits	9,305	(1,221)	(9,918)	-	(1,834)
Net pension liability	32,198	24,454	(1,625)	600	55,627
Deferred inflows of resources	(43,038)	(35,615)	(2,062)	(5,511)	(86,226)
Net Cash Provided By (Used For) Operating Activities	<u>\$ 654,753</u>	<u>\$ 295,923</u>	<u>\$ 208,042</u>	<u>\$ (189,347)</u>	<u>\$ 969,371</u>

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

Helendale Community Services District

**Notes to Financial Statements
For the Fiscal Year Ended June 30, 2017**

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.

Helendale Community Services District

**Notes to Financial Statements
For the Fiscal Year Ended June 30, 2017**

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.

Helendale Community Services District

**Notes to Financial Statements
For the Fiscal Year Ended June 30, 2017**

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

Capital Assets (continued)

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

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:

<u>Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>End of Year</u>	<u>Current Portion</u>	<u>Noncurrent Portion</u>
\$ 72,442	\$ 43,517	\$ (45,173)	\$ 70,786	\$ 44,000	\$ 26,786

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.

Helendale Community Services District

**Notes to Financial Statements
For the Fiscal Year Ended June 30, 2017**

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

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, 2017.

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*.

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

Permanent 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

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.

Helendale Community Services District

**Notes to Financial Statements
For the Fiscal Year Ended June 30, 2017**

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

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, 2015
Measurement Date (MD)	June 30, 2016
Measurement Period (MP)	July 1, 2015 to June 30, 2016

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, 2017, are classified in the accompanying financial statements as follows:

	<u>Water</u>	<u>Wastewater</u>	<u>Parks and Recreation</u>	<u>Solid Waste</u>	<u>Total</u>
Statement of Net Position:					
Cash and cash equivalents	\$ 224,956	\$ 530,326	\$ -	\$ 433,595	\$ 1,188,877
Investment pools	-	3,085,684	-	-	3,085,684
Totals	<u>\$ 224,956</u>	<u>\$ 3,616,010</u>	<u>\$ -</u>	<u>\$ 433,595</u>	<u>\$ 4,274,561</u>

Cash and investments as of June 30, 2017 consisted of the following:

	<u>Water</u>	<u>Wastewater</u>	<u>Parks and Recreation</u>	<u>Solid Waste</u>	<u>Total</u>
Cash on hand	\$ -	\$ 300	\$ -	\$ -	\$ 300
Deposits with financial institutions	224,956	530,026	-	433,595	1,188,577
Deposits with investment pools	-	3,085,684	-	-	3,085,684
Total Cash and Investments	<u>\$ 224,956</u>	<u>\$ 3,616,010</u>	<u>\$ -</u>	<u>\$ 433,595</u>	<u>\$ 4,274,561</u>

Helendale Community Services District

**Notes to Financial Statements
For the Fiscal Year Ended June 30, 2017**

NOTE 2: CASH AND INVESTMENTS (continued)

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 per account

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, 2017, the District had the following investments and maturities:

	Fair Value	Maturity
California Local Agency Investment Fund (LAIF)	\$ 6,601	6 months average
Investment Trust of California (CalTRUST)	3,079,083	18 months average
Total	<u>\$ 3,085,684</u>	

Helendale Community Services District

**Notes to Financial Statements
For the Fiscal Year Ended June 30, 2017**

NOTE 2: CASH AND INVESTMENTS (continued)

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

At June 30, 2017, 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, 2017, 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, 2017, 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.

As of June 30, 2017, \$924,233 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.

Helendale Community Services District

**Notes to Financial Statements
For the Fiscal Year Ended June 30, 2017**

NOTE 2: CASH AND INVESTMENTS (continued)

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.

Helendale Community Services District

**Notes to Financial Statements
For the Fiscal Year Ended June 30, 2017**

NOTE 3: CAPITAL ASSETS

Summaries of changes in capital assets in service for the year ended June 30, 2017, were as follows:

	Balance June 30, 2016	Additions	Deletions	Interfund Transfers	Balance June 30, 2017
Water Fund					
Land	\$ 169,494	\$ -	\$ -	\$ -	\$ 169,494
Total Nondepreciable Capital Assets	169,494	-	-	-	169,494
Structures and improvements	9,706,714	-	(140)	(15,540)	9,691,034
Equipment	326,213	140,604	(7,979)	(59,150)	399,688
Vehicles	313,651	-	(47,058)	(58,676)	207,917
Water rights and other intangibles	6,231,393	-	-	-	6,231,393
Total Depreciable Capital Assets	16,577,971	140,604	(55,177)	(133,366)	16,530,032
Accumulated depreciation	(5,457,924)	(247,032)	48,096	82,685	(5,574,175)
Total Depreciable Capital Assets, net	11,120,047	(106,428)	(7,081)	(50,681)	10,955,857
Total Capital Assets, net	<u>\$ 11,289,541</u>	<u>\$ (106,428)</u>	<u>\$ (7,081)</u>	<u>\$ (50,681)</u>	<u>\$ 11,125,351</u>
Wastewater Fund					
Land	\$ 119,212	\$ -	\$ -	\$ -	\$ 119,212
Construction in progress	33,914	10,871	(44,785)	-	-
Total Nondepreciable Capital Assets	153,126	10,871	(44,785)	-	119,212
Structures and improvements	7,882,215	42,427	-	(15,540)	7,909,102
Equipment	316,047	7,213	(6,936)	59,150	375,474
Vehicles	157,981	-	-	-	157,981
Total Depreciable Capital Assets	8,356,243	49,640	(6,936)	43,610	8,442,557
Accumulated depreciation	(6,235,973)	(365,608)	6,473	(26,816)	(6,621,924)
Total Depreciable Capital Assets, net	2,120,270	(315,968)	(463)	16,794	1,820,633
Total Capital Assets, net	<u>\$ 2,273,396</u>	<u>\$ (305,097)</u>	<u>\$ (45,248)</u>	<u>\$ 16,794</u>	<u>\$ 1,939,845</u>
Parks and Recreation Fund					
Land	\$ 630,826	\$ -	\$ -	\$ -	\$ 630,826
Construction in progress	291,174	267,571	(340,885)	-	217,860
Total Nondepreciable Capital Assets	922,000	267,571	(340,885)	-	848,686
Structures and improvements	2,494,527	341,302	-	31,080	2,866,909
Equipment	113,051	6,479	(3,255)	-	116,275
Vehicles	-	-	-	58,676	58,676
Total Depreciable Capital Assets	2,607,578	347,781	(3,255)	89,756	3,041,860
Accumulated depreciation	(728,988)	(204,898)	1,587	(55,869)	(988,168)
Total Depreciable Capital Assets, net	1,878,590	142,883	(1,668)	33,887	2,053,692
Total Capital Assets, net	<u>\$ 2,800,590</u>	<u>\$ 410,454</u>	<u>\$ (342,553)</u>	<u>\$ 33,887</u>	<u>\$ 2,902,378</u>

Helendale Community Services District

**Notes to Financial Statements
For the Fiscal Year Ended June 30, 2017**

NOTE 3: CAPITAL ASSETS (continued)

	Balance June 30, 2016	Additions	Deletions	Reclassifi- cations	Balance June 30, 2017
Solid Waste Fund					
Equipment	\$ 5,345	\$ -	\$ -	\$ -	\$ 5,345
Total Depreciable Capital Assets	5,345	-	-	-	5,345
Accumulated depreciation	(3,697)	(1,035)	-	-	(4,732)
Total Depreciable Capital Assets, net	1,648	(1,035)	-	-	613
Total Capital Assets, net	<u>\$ 1,648</u>	<u>\$ (1,035)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 613</u>
Combined - All Funds					
Land	\$ 919,532	\$ -	\$ -	\$ -	\$ 919,532
Construction in progress	325,088	278,442	(385,670)	-	217,860
Total Depreciable Capital Assets	1,244,620	278,442	(385,670)	-	1,137,392
Structures and improvements	20,083,456	383,729	(140)	-	20,467,045
Equipment	760,656	154,296	(18,170)	-	896,782
Vehicles	471,632	-	(47,058)	-	424,574
Water rights and other intangibles	6,231,393	-	-	-	6,231,393
Total Depreciable Capital Assets	27,547,137	538,025	(65,368)	-	28,019,794
Accumulated depreciation	(12,426,582)	(818,573)	56,156	-	(13,188,999)
Total Depreciable Capital Assets, net	15,120,555	(280,548)	(9,212)	-	14,830,795
Total Capital Assets, net	<u>\$ 16,365,175</u>	<u>\$ (2,106)</u>	<u>\$ (394,882)</u>	<u>\$ -</u>	<u>\$ 15,968,187</u>

Depreciation expense for the year ended June 30, 2017, was:

Fund	Amount
Water	\$ 247,032
Wastewater	365,608
Parks and Recreation	204,898
Solid Waste	1,035
Total	<u>\$ 818,573</u>

Helendale Community Services District

**Notes to Financial Statements
For the Fiscal Year Ended June 30, 2017**

NOTE 4: DUE TO/FROM OTHER FUNDS

The composition of interfund balances as of June 30, 2017, was as follows:

Receivable Fund	Amount	Payable Fund
Wastewater	<u>\$ 1,160,944</u>	Parks and Recreation

The interfund balance is a result of a negative cash position in the Parks and Recreation Fund at year end.

NOTE 5: LONG-TERM DEBT

Long-term debt activity for the year ended June 30, 2017, was as follows:

	<u>Water</u>	<u>Wastewater</u>	<u>Parks and Recreation</u>	<u>Total</u>
Balance, June 30, 2016	\$4,713,045	\$ 499,213	\$1,508,755	\$6,721,013
Reductions	<u>(187,834)</u>	<u>(31,677)</u>	<u>(87,048)</u>	<u>(306,559)</u>
Balance, June 30, 2017	<u>\$4,525,211</u>	<u>\$ 467,536</u>	<u>\$1,421,707</u>	<u>\$6,414,454</u>
Current portion	\$ 195,982	\$ 32,924	\$ 90,730	\$ 319,636
Noncurrent portion	<u>4,329,229</u>	<u>434,612</u>	<u>1,330,977</u>	<u>6,094,818</u>
Totals	<u>\$4,525,211</u>	<u>\$ 467,536</u>	<u>\$1,421,707</u>	<u>\$6,414,454</u>

Long-term debt activity by debt instrument for the year ended June 30, 2017, was as follows:

	<u>Balance at 6/30/16</u>	<u>Reductions</u>	<u>Balance at 6/30/17</u>
2008 Installment Sale Agreement	\$2,062,861	\$ (130,896)	\$1,931,965
2011 Installment Sale Agreement	855,632	(36,917)	818,715
2014 Installment Sale Agreement	<u>3,802,520</u>	<u>(138,746)</u>	<u>3,663,774</u>
	<u>\$6,721,013</u>	<u>\$ (306,559)</u>	<u>\$6,414,454</u>

Helendale Community Services District

**Notes to Financial Statements
For the Fiscal Year Ended June 30, 2017**

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, 2017, annual debt service requirements to maturity for the 2008 Note payable, as amended, are as follows:

<u>Year(s)</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 136,050	\$ 74,033	\$ 210,083
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
2023-2027	892,765	157,649	1,050,414
2028-2029	303,222	11,902	315,124
Totals	<u>\$ 1,931,965</u>	<u>\$ 483,988</u>	<u>\$ 2,415,953</u>

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:

<u>Prepayment Dates</u>	<u>Prepayment Premium</u>
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.

Helendale Community Services District

**Notes to Financial Statements
For the Fiscal Year Ended June 30, 2017**

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, 2017, annual debt service requirements to maturity for the 2011 Note payable are as follows:

<u>Year(s)</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 38,880	\$ 42,479	\$ 81,359
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
2023-2027	280,160	126,634	406,794
2028-2032	<u>322,345</u>	<u>43,768</u>	<u>366,113</u>
Totals	<u>\$ 818,715</u>	<u>\$ 360,987</u>	<u>\$ 1,179,702</u>

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.

Helendale Community Services District

**Notes to Financial Statements
For the Fiscal Year Ended June 30, 2017**

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.

<u>Year(s)</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 144,706	\$ 154,189	\$ 298,895
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
2023-2027	972,911	521,564	1,494,475
2028-2032	1,200,587	293,888	1,494,475
2033-2035	701,866	45,370	747,236
Totals	<u>\$ 3,663,774</u>	<u>\$ 1,566,887</u>	<u>\$ 5,230,661</u>

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, 2017, annual debt service requirements to maturity for all long-term debt combined are as follows:

<u>Year(s)</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 319,636	\$ 270,701	\$ 590,337
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
2023-2027	2,145,836	805,847	2,951,683
2028-2032	1,826,154	349,558	2,175,712
2033-2035	701,866	45,370	747,236
Totals	<u>\$ 6,414,454</u>	<u>\$ 2,411,862</u>	<u>\$ 8,826,316</u>

Helendale Community Services District

**Notes to Financial Statements
For the Fiscal Year Ended June 30, 2017**

NOTE 6: NET POSITION

The net investment in capital assets portion of net position at June 30, 2017, was determined as follows:

	Water	Wastewater	Parks and Recreation	Solid Waste	Total
Total capital assets	\$ 11,125,351	\$ 1,939,845	\$ 2,902,378	\$ 613	\$ 15,968,187
Less: Related debt	(4,525,211)	(467,536)	(1,421,707)	-	(6,414,454)
Net investment in capital assets	<u>\$ 6,600,140</u>	<u>\$ 1,472,309</u>	<u>\$ 1,480,671</u>	<u>\$ 613</u>	<u>\$ 9,553,733</u>

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.

Helendale Community Services District

**Notes to Financial Statements
For the Fiscal Year Ended June 30, 2017**

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, 2017, are summarized as follows:

	Miscellaneous Plan	
	<u>Prior to January 1, 2013</u>	<u>On or after January 1, 2013</u>
Hire date		
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	11.008%	6.555%

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, 2017, were \$108,682. The actual employer payments of \$97,330 made to CalPERS by the District during the measurement period ending June 30, 2016, differed from the District's proportionate share of the employer's contribution of \$47,227 by \$50,103, 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, 2016, using an annual actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is as follows:

Helendale Community Services District

**Notes to Financial Statements
For the Fiscal Year Ended June 30, 2017**

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

B. Net Pension Liability (continued)

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

	<u>Miscellaneous Plan</u>
Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Actuarial Value of Assets
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases (1)	3.3% - 14.2%
Investment Rate of Return (2)	7.65%
Mortality Rate Table (3)	Derived using CALPERS' membership data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until purchasing power protection allowance floor on purchasing power applies, 2.75% thereafter

(1) Annual increases vary by category, entry age, and duration of service
(2) Net of pension plan investment and administrative expenses; includes inflation
(3) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2015, 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

There were no changes of assumptions.

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 7.65 percent. To determine whether the municipal bond rate should be used in the calculation of the discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. The tests revealed the assets would not run out. Therefore, the current 7.65 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.65 percent is applied to all plans in the Public Employees Retirement Fund (PERF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at 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 best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund (PERF) cash flows. Taking into account historical returns of all the PERF asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B and C funds), expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

**Notes to Financial Statements
For the Fiscal Year Ended June 30, 2017**

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, 2015.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 ¹	Real Return Years 11+ ²
Global Equity	51%	5.25%	5.71%
Global Fixed Income	20%	0.99%	2.43%
Inflation Sensitive	6%	0.45%	3.36%
Private Equity	10%	6.83%	6.95%
Real Estate	10%	4.50%	5.13%
Infrastructure and Forestland	2%	4.50%	5.09%
Liquidity	1%	(0.55%)	(1.05%)
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.

Helendale Community Services District

**Notes to Financial Statements
For the Fiscal Year Ended June 30, 2017**

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	Plan Fiduciary Net Position	Plan Net Pension Liability
	(a)	(b)	(c) = (a) - (b)
Balance at: 6/30/2015 (VD)	\$ 1,204,641	\$ 986,527	\$ 218,114
Balance at: 6/30/2016 (MD)	\$ 1,541,957	\$ 1,268,216	\$ 273,741
Net Changes during 2015-16 (MP)	\$ 337,316	\$ 281,689	\$ 55,627

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

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2016, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016, using standard update procedures. The District's proportion of the net pension liability was determined by CalPERS using the output from the Actuarial Valuation System and the fiduciary net position, as provided in the CalPERS Public Agency Cost-Sharing Allocation Methodology Report, which is a publicly available report that can be obtained at CalPERS' website, at www.calpers.ca.gov. The District's proportionate share of the net pension liability for the Plan as of June 30, 2015 and 2016, was as follows:

	Miscellaneous Plan
Proportionate Share - June 30, 2015	0.00795%
Proportionate Share - June 30, 2016	0.00788%
Change - Increase (Decrease)	(0.00007%)

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 7.65 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 (6.65 percent) or 1 percentage-point higher (8.65 percent) than the current rate:

	Discount Rate - 1% (6.65%)	Current Discount Rate (7.65%)	Discount Rate + 1% (8.65%)
Miscellaneous Plan Net Pension Liability	\$ 481,336	\$ 273,741	\$ 102,174

Helendale Community Services District

**Notes to Financial Statements
For the Fiscal Year Ended June 30, 2017**

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 2015-16 measurement period is 3.7 years, which was obtained by dividing the total service years of 475,689 (the sum of remaining service lifetimes of the active employees) by 127,009 (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.

Helendale Community Services District

**Notes to Financial Statements
For the Fiscal Year Ended June 30, 2017**

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, 2015), the District's net pension liability was \$218,114. For the measurement period ending June 30, 2016 (the measurement date), the District incurred pension expense of \$26,153.

As of June 30, 2017, 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	\$ -	\$ 32,908
Differences Between Expected and Actual Experience	3,478	797
Difference Between Actual Contributions and Proportionate Share of Contributions	104,537	-
Change in Employer's Proportion	75,058	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	171,276	-
Pension Contributions Subsequent to the Measurement Date	108,682	-
Total	\$ 463,031	\$ 33,705

These amounts above are net of outflows and inflows recognized in the 2015-16 measurement period expense. Contributions subsequent to the measurement date of \$108,682 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
2017	\$ 117,077
2018	84,572
2019	74,633
2020	44,362
2021	-
Thereafter	-

E. Payable to the Pension Plan

At June 30, 2017, the District reported a payable of \$400 for the outstanding amount of contributions to the pension plan.

Helendale Community Services District

**Notes to Financial Statements
For the Fiscal Year Ended June 30, 2017**

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.

Helendale Community Services District

**Notes to Financial Statements
For the Fiscal Year Ended June 30, 2017**

NOTE 9: INTERFUND TRANSFERS

The District transferred various capital assets at their net book value from the Water fund to the Wastewater and Parks and Recreation funds as follows.

Transfers In	Transfers Out Water Fund
Wastewater Fund	\$ 16,794
Parks and Recreation Fund	33,887
	\$ 50,681

Required Supplementary Information

Helendale Community Services District

**Required Supplementary Information
For the Fiscal Year Ended June 30, 2017**

**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		
	6/30/2014	6/30/2015	6/30/2016
Employer's Proportion of the Net Pension Liability ¹	0.00331%	0.00795%	0.00788%
Employer's Proportionate Share of the Collective Net Pension Liability	\$ 205,731	\$ 218,114	\$ 273,741
Employer's Covered Payroll	\$ 807,545	\$ 818,798	\$ 898,794
Employer's Proportionate Share of the Collective Net Pension Liability as a Percentage of its Covered Payroll	25.48%	26.64%	30.46%
Pension Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability	77.99%	81.89%	82.25%

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 2015) was the 1st year of implementation, therefore, only three years are reported.

Helendale Community Services District

**Required Supplementary Information
For the Fiscal Year Ended June 30, 2017**

**Schedule of Plan Contributions
Last 10 Years***

	Fiscal Year		
	2014-15	2015-16	2016-17
Actuarially Determined Contribution	\$ 123,067	\$ 97,754	\$ 108,682
Contributions in Relation to the Actuarially Determined Contribution	(123,067)	(97,754)	(108,682)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Employer's Covered Payroll	\$ 818,798	\$ 898,794	\$ 947,366
Contributions as a Percentage of Covered Payroll	15.03%	10.88%	11.47%

* Fiscal year 2014-15 was the 1st year of implementation, therefore, only three years are reported.

Notes to Schedule:

Change in Benefit Terms: None

Change in Assumptions: None

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, 2017, and the related statement of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 7, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our 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 audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**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
December 7, 2017