



Rosamond Community Services District

Annual Financial Report

For the Year Ended June 30, 2009



ROSAMOND COMMUNITY SERVICES DISTRICT

List of Elected and Appointed Officials

June 30, 2009

Elected Officials

BOARD OF DIRECTORS

<u>Title</u>	<u>Director</u>	<u>Term Expires</u>
President	Kathy Spoor	December 2010
Vice-President	Dr. Robert C. Scherer	December 2010
Director	Byron Glennan	December 2012
Director	Daniel Landsgaard	December 2010
Director	Kim Lord	December 2012

Appointed Official

General Manager Jack Stewart

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



Rosamond Community Services District

Annual Financial Report

For the Year Ended June 30, 2009

**Rosamond Community Services District
Annual Financial Report
For the Year Ended June 30, 2009**

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Financial Section



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Independent Auditor's Report

Board of Directors
Rosamond Community Services District
Rosamond, California

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 the Rosamond Community Services District (District) as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Rosamond Community Services District as of June 30, 2009, and the respective changes in net assets and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 30, 2009 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements that collectively comprise the District's basic financial statements. The supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. These sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

September 30, 2009
Cypress, California

Charles Z. Fedak, CPA
An Accountancy Corporation

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**Rosamond Community Services District
Management's Discussion and Analysis
For the Year Ended June 30, 2009**

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the Rosamond Community Services District (District) provides an introduction to the financial statements of the District for the fiscal year ended June 30, 2009. We encourage readers to consider the information presented here in conjunction with the transmittal letter in the Introductory Section and with the basic financial statements and related notes, which follow this section.

Financial Highlights

- Net assets decreased by 7.31% or \$2,878,454 to \$36,499,741 as a result of this year's operations.
- Total revenues decreased by 20.67% or \$1,256,410 due primarily to a decrease in capital contributions of \$1,209,272 and interest earnings of \$347,407 while charges for services increased \$277,273.
- Total expenses increased by 15.35% or \$1,024,789 due to a \$274,966 increase in salaries and benefits expense, a \$523,541 increase in operating expenses, a \$77,151 increase in depreciation expense and a \$149,131 increase in interest expense.

Using This Financial Report

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

Government-wide Financial Statements

Statement of Net Assets and Statement of Activities

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

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

**Rosamond Community Services District
Management's Discussion and Analysis
For the Year Ended June 30, 2009**

Fund Financial Statements

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 15 through 33.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *supplementary information* concerning the District's major-fund budgetary information. The supplementary information can be found on pages 34 through 37.

Government-wide Financial Analysis

Statement of Net Assets

The following table is a summary of the statement of net assets at June 30, 2009.

	Condensed Statement of Financial Position					
	Governmental Activities		Business-type Activities		Total District	
	2009	2008	2009	2008	2009	2008
Assets:						
Current and other assets	\$ 395,105	318,597	8,305,767	9,930,413	8,700,872	10,249,010
Restricted assets	-	-	1,690,641	-	1,690,641	-
Non-current assets	(821,698)	(288,861)	821,698	288,861	-	-
Capital assets, net	1,273,598	1,083,887	39,896,770	30,667,813	41,170,368	31,751,700
Total assets	847,005	1,113,623	50,714,876	40,887,087	51,561,881	42,000,710
Liabilities:						
Current liabilities	399,052	116,907	2,608,691	1,208,009	3,007,743	1,324,916
Non-current liabilities	40,228	34,283	12,014,169	1,263,316	12,054,397	1,297,599
Total liabilities	439,280	151,190	14,622,860	2,471,325	15,062,140	2,622,515
Net assets:						
Net investment in capital assets	1,273,598	1,083,887	27,673,515	29,384,708	28,947,113	30,468,595
Restricted	-	-	1,690,641	-	1,690,641	-
Unrestricted	(865,873)	(121,454)	6,727,860	9,031,054	5,861,987	8,909,600
Total net assets	\$ 407,725	962,433	36,092,016	38,415,762	36,499,741	39,378,195

**Rosamond Community Services District
Management's Discussion and Analysis
For the Year Ended June 30, 2009**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets of the District exceeded liabilities by \$36,499,741 as of June 30, 2009. Compared to prior year, net assets of the District decreased 7.31% or \$2,878,454. The District's net assets are made-up of three components: (1) net investment in capital assets of \$28,947,113, (2) restricted net assets of \$1,690,641 and (3) unrestricted net assets of \$5,861,987.

Statement of Activities

The following table is a summary of the statement of activities for the year ended June 30, 2009.

	Condensed Statement of Activities					
	Governmental Activities		Business-type Activities		Total District	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program revenues:						
Charges for services	\$ 302,645	102,902	3,621,957	3,544,427	3,924,602	3,647,329
Operating grants and contributions	-	-	-	-	-	-
Capital grants and contributions	3,628	73,318	440,923	1,580,505	444,551	1,653,823
General revenues:						
Property taxes	313,652	290,656	-	-	313,652	290,656
Interest earnings	10,148	16,583	129,564	470,536	139,712	487,119
Total revenues	<u>630,073</u>	<u>483,459</u>	<u>4,192,444</u>	<u>5,595,468</u>	<u>4,822,517</u>	<u>6,078,927</u>
Expenses:						
Salaries and benefits	740,656	460,371	2,374,884	2,380,203	3,115,540	2,840,574
Operations	388,742	327,872	2,235,019	1,772,348	2,623,761	2,100,220
Depreciation	37,547	32,592	1,707,435	1,635,239	1,744,982	1,667,831
Interest	17,836	9,409	198,852	58,148	216,688	67,557
Total expenses	<u>1,184,781</u>	<u>830,244</u>	<u>6,516,190</u>	<u>5,845,938</u>	<u>7,700,971</u>	<u>6,676,182</u>
Change in net assets	(554,708)	(346,785)	(2,323,746)	(250,470)	(2,878,454)	(597,255)
Net assets, beginning of year	<u>962,433</u>	<u>1,309,218</u>	<u>38,415,762</u>	<u>38,666,232</u>	<u>39,378,195</u>	<u>39,975,450</u>
Net assets, end of year	<u>\$ 407,725</u>	<u>962,433</u>	<u>36,092,016</u>	<u>38,415,762</u>	<u>36,499,741</u>	<u>39,378,195</u>

Government and business-type activities decreased the District's net assets by \$2,878,454 thereby accounting for the 7.31% decrease in the net assets of the District.

The District's total revenues decreased by 20.67% or \$1,256,410 due primarily to a decrease in capital contributions of \$1,209,272 and interest earnings of \$347,407 while charges for services increased \$277,273.

The District's total expenses increased by 15.35% or \$1,024,789 due to a \$274,966 increase in salaries and benefits expense, a \$523,541 increase in operating expenses, a \$77,151 increase in depreciation expense and a \$149,131 increase in interest expense.

**Rosamond Community Services District
Management's Discussion and Analysis
For the Year Ended June 30, 2009**

Capital Asset Administration

	Capital Assets					
	Governmental Activities		Business-type Activities		Total District	
	2009	2008	2009	2008	2009	2008
Capital assets:						
Non-depreciable assets	\$ 710,058	664,015	13,403,608	4,696,216	14,113,666	5,360,231
Depreciable assets	689,916	508,701	49,791,529	49,062,529	50,481,445	49,571,230
Total capital assets	1,399,974	1,172,716	63,195,137	53,758,745	64,595,111	54,931,461
Accumulated depreciation	(126,376)	(88,829)	(24,798,367)	(23,090,932)	(24,924,743)	(23,179,761)
Total capital assets, net	\$ 1,273,598	1,083,887	38,396,770	30,667,813	39,670,368	31,751,700

At the end of fiscal year 2009, the District's investment in capital assets amounted to \$39,670,368 (net of accumulated depreciation). This investment in capital assets includes land, buildings, building improvements, furnishings and equipment, street lighting, collection and distribution systems, tanks, wells, water treatment facilities and construction-in-process. Major capital asset additions in the business-type activities area included constructing the District's new wastewater treatment plant. A significant portion of these additions were constructed by sub-contractors will be transferred out of construction-in-process upon completion of these various projects. The capital assets of the District are more fully analyzed in Note 6 to the basic financial statements.

Long-Term Debt Administration

	Long-term Debt					
	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Long-term debt:						
Notes payable	\$ -	-	12,223,255	1,283,105	12,223,255	1,283,105

Long-term debt increased due to the District authorizing \$11,151,089 in new note payables during the fiscal year. The long-term debt position of the District is more fully analyzed in Note 8 to the basic financial statements.

Conditions Affecting Current Financial Position

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

Requests for Information

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

Basic Financial Statements

Rosamond Community Services District
Statement of Net Assets
June 30, 2009

<i>Assets</i>	Governmental Activities	Business-type Activities	Total
Current assets:			
Cash and cash equivalents (note 2)	\$ 267,960	1,048,463	1,316,423
Restricted – cash and cash equivalents (note 2)	-	1,690,641	1,690,641
Accrued interest receivable	901	1,767	2,668
Accounts receivable – utilities, net (note 3)	18,791	332,925	351,716
Accounts receivable – governmental agencies	-	5,776,089	5,776,089
Accounts receivable – other	96,581	288,339	384,920
Property taxes and assessments receivable	971	-	971
Materials and supplies inventory	-	168,439	168,439
Prepaid expenses and other deposits	9,901	689,745	699,646
Total current assets	<u>395,105</u>	<u>9,996,408</u>	<u>10,391,513</u>
Non-current assets:			
Internal balances (note 4)	(821,698)	821,698	-
Investment in water banking – JPA (note 5)	-	1,500,000	1,500,000
Capital assets not being depreciated (note 6)	710,058	13,403,608	14,113,666
Depreciable capital assets, net (note 6)	<u>563,540</u>	<u>24,993,162</u>	<u>25,556,702</u>
Total non-current assets	<u>451,900</u>	<u>40,718,468</u>	<u>41,170,368</u>
Total assets	<u>847,005</u>	<u>50,714,876</u>	<u>51,561,881</u>
<i>Liabilities and Net Assets</i>			
Current liabilities:			
Accounts payable and accrued expenses	348,098	1,920,795	2,268,893
Accrued wages and related payables	22,544	74,167	96,711
Customer deposits and deferred revenue	15,000	166,667	181,667
Accrued interest on long-term debt	-	33,336	33,336
Long-term liabilities – due within one year:			
Compensated absences (note 7)	13,410	51,160	64,570
Notes payable (note 8)	<u>-</u>	<u>362,566</u>	<u>362,566</u>
Total current liabilities	<u>399,052</u>	<u>2,608,691</u>	<u>3,007,743</u>
Non-current liabilities:			
Long-term liabilities – due in more than one year:			
Compensated absences (note 7)	40,228	153,480	193,708
Notes payable (note 8)	<u>-</u>	<u>11,860,689</u>	<u>11,860,689</u>
Total non-current liabilities	<u>40,228</u>	<u>12,014,169</u>	<u>12,054,397</u>
Total liabilities	<u>439,280</u>	<u>14,622,860</u>	<u>15,062,140</u>
Net assets: (note 9)			
Net investment in capital assets	1,273,598	27,673,515	28,947,113
Restricted	-	1,690,641	1,690,641
Unrestricted	<u>(865,873)</u>	<u>6,727,860</u>	<u>5,861,987</u>
Total net assets	<u>\$ 407,725</u>	<u>36,092,016</u>	<u>36,499,741</u>

See accompanying notes to the basic financial statements

Rosamond Community Services District
Statement of Activities
For the Year Ended June 30, 2009

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Governmental activities:							
Parks and recreation	\$ 1,094,929	203,079	-	3,628	(888,222)	-	(888,222)
Street lighting	89,852	99,566	-	-	9,714	-	9,714
Total governmental	<u>1,184,781</u>	<u>302,645</u>	<u>-</u>	<u>3,628</u>	<u>(878,508)</u>	<u>-</u>	<u>(878,508)</u>
Business-type activities:							
Water	4,996,979	2,111,666	-	191,773	-	(2,693,540)	(2,693,540)
Sewer	1,519,211	1,510,291	-	249,150	-	240,230	240,230
Total business-type	<u>6,516,190</u>	<u>3,621,957</u>	<u>-</u>	<u>440,923</u>	<u>-</u>	<u>(2,453,310)</u>	<u>(2,453,310)</u>
Total	<u>\$ 7,700,971</u>	<u>3,924,602</u>	<u>-</u>	<u>444,551</u>	<u>(878,508)</u>	<u>(2,453,310)</u>	<u>(3,331,818)</u>
		General revenues:					
		Property taxes			\$ 313,652	-	313,652
		Interest earnings			10,148	129,564	139,712
		Total general revenues			<u>323,800</u>	<u>129,564</u>	<u>453,364</u>
		Change in net assets			<u>(554,708)</u>	<u>(2,323,746)</u>	<u>(2,878,454)</u>
		Net assets, beginning of year			<u>962,433</u>	<u>38,415,762</u>	<u>39,378,195</u>
		Net assets, end of year			<u>\$ 407,725</u>	<u>36,092,016</u>	<u>36,499,741</u>

See accompanying notes to the basic financial statements

Rosamond Community Services District
Balance Sheets – Governmental Funds
June 30, 2009

	Parks and Recreation	Street Lighting	Total Governmental Activities
Assets:			
Cash and cash equivalents	\$ 190,199	77,761	267,960
Accrued interest receivable	743	158	901
Accounts receivable – utilities, net	-	18,791	18,791
Accounts receivable – other	96,581	-	96,581
Property taxes and assessment receivable	971	-	971
Prepaid expenses and other deposits	9,901	-	9,901
Total assets	298,395	96,710	395,105
Liabilities:			
Accounts payable and accrued expenses	340,581	7,517	348,098
Accrued wages and related payables	22,544	-	22,544
Customer deposits and deferred revenue	-	15,000	15,000
Due to other funds	821,698	-	821,698
Total liabilities	1,184,823	22,517	1,207,340
Fund balance:			
Reserved for prepaid expenses	9,901	-	9,901
Reserved for provision for compensated absences	53,638	-	53,638
Reserved for parks and recreation	(949,967)	-	(949,967)
Reserved for street lighting	-	74,193	74,193
Total fund balance	(886,428)	74,193	(812,235)
Total liabilities and fund balance	\$ 298,395	96,710	395,105

Rosamond Community Services District
Reconciliation of the Balance Sheets of Governmental Funds to the Statement of Net Assets
June 30, 2009

Reconciliation:

Fund balance of governmental funds	\$ (812,235)
Amounts reported for governmental activities in the statement of net assets is different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. However, the statement of net assets includes those capital assets among the assets of the District as a whole.	1,273,598
Long-term liabilities applicable to the District are not due and payable in the current period and accordingly are not reported as governmental fund liabilities. All liabilities, both current and long-term, are reported in the statement of net assets as follows:	
Compensated absences	(53,638)
Net assets of governmental activities	\$ 407,725

See accompanying notes to the basic financial statements

Rosamond Community Services District
Statements of Revenues, Expenditures and Changes in Fund Balances– Governmental Funds
For the Year Ended June 30, 2009

	<u>Parks and Recreation</u>	<u>Street Lighting</u>	<u>Total Governmental Activities</u>
Revenues:			
Property taxes	\$ 313,652	-	313,652
Special assessments	166,071	99,566	265,637
Charges for services	37,008	-	37,008
Capital grants and facility charges	3,628	-	3,628
Interest earnings	7,694	2,454	10,148
Total revenues	<u>528,053</u>	<u>102,020</u>	<u>630,073</u>
Expenditures:			
Parks and recreation	1,049,455	-	1,049,455
Street lighting	-	89,852	89,852
Capital outlay	227,258	-	227,258
Total expenditures	<u>1,276,713</u>	<u>89,852</u>	<u>1,366,565</u>
Net change in fund balance	(748,660)	12,168	(736,492)
Fund balance, beginning of year	<u>(137,768)</u>	<u>62,025</u>	<u>(75,743)</u>
Fund balance, end of year	<u>\$ (886,428)</u>	<u>74,193</u>	<u>(812,235)</u>

Rosamond Community Services District
Reconciliation of the Statements of Revenues, Expenditures and Changes in Fund Balance of
Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2009

Reconciliation:

Net changes in fund balance of total governmental funds	\$	(736,492)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital outlay		227,258
Depreciation expense		(37,547)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenses in governmental funds as follows:		
Change in compensated absences		<u>(7,927)</u>
Change in net assets of governmental activities	\$	<u><u>(554,708)</u></u>

See accompanying notes to the basic financial statements

Rosamond Community Services District
Statements of Net Assets – Enterprise Funds
June 30, 2009

<i>Assets</i>	Water	Sewer	Total Business-type Activities
Current assets:			
Cash and cash equivalents	\$ 842,664	205,799	1,048,463
Restricted – cash and cash equivalents	1,402,938	287,703	1,690,641
Accrued interest receivable	-	1,767	1,767
Accounts receivable – utilities, net	218,104	114,821	332,925
Accounts receivable – governmental agencies	-	5,776,089	5,776,089
Accounts receivable – other	188,084	100,255	288,339
Materials and supplies inventory	168,439	-	168,439
Prepaid expenses and other deposits	129,563	560,182	689,745
Total current assets	<u>2,949,792</u>	<u>7,046,616</u>	<u>9,996,408</u>
Non-current assets:			
Due from other funds	361,340	460,358	821,698
Internal balances	1,366,739	(1,366,739)	-
Investment in water banking – JPA	1,500,000	-	1,500,000
Capital assets, not being depreciated	2,411,441	10,992,167	13,403,608
Capital assets, being depreciated	22,963,424	2,029,738	24,993,162
Total non-current assets	<u>28,602,944</u>	<u>12,115,524</u>	<u>40,718,468</u>
Total assets	<u>31,552,736</u>	<u>19,162,140</u>	<u>50,714,876</u>
<i>Liabilities and Net Assets</i>			
Current liabilities:			
Accounts payable and accrued expenses	838,083	1,082,712	1,920,795
Accrued wages and related payables	58,996	15,171	74,167
Customer deposits and deferred revenue	125,971	40,696	166,667
Accrued interest on long-term debt	7,718	25,618	33,336
Long-term liabilities – due within one year:			
Compensated absences	30,340	20,819	51,159
Notes payable	276,368	86,198	362,566
Total current liabilities	<u>1,337,476</u>	<u>1,271,214</u>	<u>2,608,690</u>
Non-current liabilities:			
Long-term liabilities – due in more than one year:			
Compensated absences	91,022	62,459	153,481
Notes payable	3,057,086	8,803,603	11,860,689
Total non-current liabilities	<u>3,148,108</u>	<u>8,866,062</u>	<u>12,014,170</u>
Total liabilities	<u>4,485,584</u>	<u>10,137,276</u>	<u>14,622,860</u>
Net assets:			
Net investment in capital assets	23,541,411	4,132,104	27,673,515
Restricted	1,402,938	287,703	1,690,641
Unrestricted	2,122,803	4,605,057	6,727,860
Total net assets	<u>\$ 27,067,152</u>	<u>9,024,864</u>	<u>36,092,016</u>

See accompanying notes to the basic financial statements

Rosamond Community Services District
Statements of Revenues, Expenses and Changes in Fund Net Assets – Enterprise Funds
For the Year Ended June 30, 2009

	<u>Water</u>	<u>Sewer</u>	<u>Total Business-type Activities</u>
Operating revenues:			
Water consumption sales	\$ 2,111,666	-	2,111,666
Sewer service charges	-	1,510,291	1,510,291
Total operating revenues	<u>2,111,666</u>	<u>1,510,291</u>	<u>3,621,957</u>
Operating expenses:			
Salaries and benefits	1,669,047	705,837	2,374,884
Operations	1,723,684	511,335	2,235,019
Total operating expenses	<u>3,392,731</u>	<u>1,217,172</u>	<u>4,609,903</u>
Operating loss before depreciation	(1,281,065)	293,119	(987,946)
Depreciation expense	(1,499,815)	(207,620)	(1,707,435)
Operating income(loss)	<u>(2,780,880)</u>	<u>85,499</u>	<u>(2,695,381)</u>
Non-operating revenue(expense):			
Interest earnings	75,881	53,683	129,564
Interest expense	(104,433)	(94,419)	(198,852)
Total non-operating, net	<u>(28,552)</u>	<u>(40,736)</u>	<u>(69,288)</u>
Capital contributions:			
Contributions	3,614	-	3,614
Conservation fees	-	70,950	70,950
Capital grants	-	75,000	75,000
Connection fees	188,159	103,200	291,359
Total capital contributions	<u>191,773</u>	<u>249,150</u>	<u>440,923</u>
Change in net assets	<u>(2,617,659)</u>	<u>293,913</u>	<u>(2,323,746)</u>
Net assets, beginning of year	<u>29,684,811</u>	<u>8,730,951</u>	<u>38,415,762</u>
Net assets, end of year	<u>\$ 27,067,152</u>	<u>9,024,864</u>	<u>36,092,016</u>

See accompanying notes to the basic financial statements

Rosamond Community Services District
Statements of Cash Flows – Enterprise Funds
For the Year Ended June 30, 2009

	<u>Water</u>	<u>Sewer</u>	<u>Total Business-type Activities</u>
Cash flows from operating activities:			
Cash receipts from customers	\$ 2,066,938	1,451,939	3,518,877
Cash paid to employees for salaries and benefits	(1,669,122)	(707,866)	(2,376,988)
Cash paid to vendors and suppliers	<u>(1,223,558)</u>	<u>(210,654)</u>	<u>(1,434,212)</u>
Net cash provided(used) by operating activities	<u>(825,742)</u>	<u>533,419</u>	<u>(292,323)</u>
Cash flows from capital and related financing activities:			
Acquisitions and construction of capital assets	(1,255,958)	(7,735,567)	(8,991,525)
Investment in water banking – JPA	(1,500,000)	-	(1,500,000)
Proceeds from capital contributions	191,773	249,150	440,923
Internal cash advanced	(1,680,809)	703,105	(977,704)
Cash received from notes payable	2,700,000	2,675,000	5,375,000
Principal payments on notes payable	(136,409)	(74,530)	(210,939)
Interest payments on notes payable	<u>(100,068)</u>	<u>(71,037)</u>	<u>(171,105)</u>
Net cash used in capital and financing activities	<u>(1,781,471)</u>	<u>(4,253,879)</u>	<u>(6,035,350)</u>
Cash flows from investing activities:			
Interest earnings	<u>106,574</u>	<u>81,098</u>	<u>187,672</u>
Net cash provided by investing activities	<u>106,574</u>	<u>81,098</u>	<u>187,672</u>
Net decrease in cash and cash equivalents	(2,500,639)	(3,639,362)	(6,140,001)
Cash and cash equivalents, beginning of year	<u>4,746,241</u>	<u>4,132,864</u>	<u>8,879,105</u>
Cash and cash equivalents, end of year	\$ <u><u>2,245,602</u></u>	<u><u>493,502</u></u>	<u><u>2,739,104</u></u>
Reconciliation of operating loss to net cash provided(used) by operating activities:			
Operating income(loss)	\$ <u>(2,780,880)</u>	<u>85,499</u>	<u>(2,695,381)</u>
Adjustments to reconcile operating loss to net cash provided(used) by operating activities:			
Depreciation expense	1,499,815	207,620	1,707,435
Changes in assets and liabilities:			
(Increase)decrease in assets:			
Accounts receivable – utilities, net	29,644	10,696	40,340
Accounts receivable – other	(65,663)	(95,846)	(161,509)
Materials and supplies inventory	(16,351)	-	(16,351)
Prepaid expenses and other deposits	(26,409)	(324,086)	(350,495)
Increase(decrease) in liabilities:			
Accounts payable and accrued expenses	542,886	624,767	1,167,653
Accrued wages and related payables	(8,967)	(8,547)	(17,514)
Customer deposits and deferred revenue	(8,709)	26,798	18,089
Compensated absences	<u>8,892</u>	<u>6,518</u>	<u>15,410</u>
Total adjustments	<u>1,955,138</u>	<u>447,920</u>	<u>2,403,058</u>
Net cash provided(used) by operating activities	\$ <u><u>(825,742)</u></u>	<u><u>533,419</u></u>	<u><u>(292,323)</u></u>

See accompanying notes to the basic financial statements

Rosamond Community Services District
Notes to the Basic Financial Statements
June 30, 2009

(1) Reporting Entity and Summary of Significant Accounting Policies

A. Organization and Operations of the Reporting Entity

The Rosamond Community Services District (District) serves as the local government for the City of Rosamond, California. The District is similar to a city government, supplying such services as parks and recreation, potable water, wastewater treatment, and street lighting. The District exists under California State law governing special districts (Government Code, Sec 61000 et. seq.). The District was established by resolution of Kern County Board of Supervisors for the purpose of providing infrastructure services for the newly developing community of Rosamond. The District is governed by a five-member Board of Directors who serve four-year terms and are elected at large. The directors entrust the responsibility for the efficient execution of District policies to their designated representative, the General Manager.

The criteria used in determining the scope of the financial reporting entity is based on the provisions of Governmental Accounting Statements No. 14, *The Financial Reporting Entity*, and No. 39, *Determining Whether Certain Organizations Are Component Units* (an amendment of No. 14). The District is the primary governmental unit based on the foundation of a separately elected governing board that is elected by the citizens in a general popular election. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The District is financially accountable if it appoints a voting majority of the organization's governing body and: 1) It is able to impose its will on that organization, or 2) There is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. The District has no blended or discretely-presented component units.

B. Basis of Accounting and Measurement Focus

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

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

Government-wide Financial Statements

These statements are presented on an *economic resources* measurement focus and the accrual basis of accounting for both governmental and business-like activities. Accordingly, all of the District's assets and liabilities, including capital assets, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, such as, unbilled but utilized utility services are recorded at year end. The Statement of Activities demonstrates the degree to which the operating expenses of a given function are offset by operating revenues. Operating expenses are those that are clearly identifiable with a specific function. The types of transactions reported as operating revenues for the District are charges for services directly related to the operations of the District. Charges for services include revenues from customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by the District. Taxes, operating grants and other items not properly included among operating revenues are reported instead as non-operating revenues. Contributed capital and capital grants are included as capital contributions.

Fund Financial Statements

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

Rosamond Community Services District
Notes to the Basic Financial Statements, continued
For the Year Ended June 30, 2009

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

B. Basis of Accounting and Measurement Focus, continued

Fund Financial Statements, continued

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

The accrual basis of accounting is followed by the proprietary enterprise funds. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, such as, unbilled but utilized utility services are recorded at year end.

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

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, are generally followed in both the government-wide and propriety fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The District has elected not to follow subsequent private-sector guidance.

Rosamond Community Services District
Notes to the Basic Financial Statements, continued
For the Year Ended June 30, 2009

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

B. Basis of Accounting and Measurement Focus, continued

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

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

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

The funds of the financial reporting entity are described below:

Governmental Funds

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

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

Enterprise Funds

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

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

C. Financial Statement Elements

1. Cash and Cash Equivalents

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

2. Accounts Receivable

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

Rosamond Community Services District
Notes to the Basic Financial Statements, continued
For the Year Ended June 30, 2009

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

C. Financial Statement Elements, continued

3. Property Taxes and Assessments

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

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

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

4. Prepaid Expenses

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

5. Capital Assets

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

Governmental Activities

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

Business-Type Activities

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

Rosamond Community Services District
Notes to the Basic Financial Statements, continued
For the Year Ended June 30, 2009

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

C. Financial Statement Elements, continued

6. Net Assets/Fund Balances

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

- **Net Investment in Capital Assets** – This component of net assets 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 Assets** – This component of net assets consists of net assets that are restricted for a specific use and are not available for the general use of the District.
- **Unrestricted Net Assets** – This component of net assets consists of net assets that do not meet the definition of *restricted* or *net investment in capital assets*.

In the fund financial statements, reserves and designations segregate portions of fund balances that are either not available or have been earmarked for specific purposes. Reservations and designations of fund balance are described below:

- **Reserved** – Some of the assets reported in governmental funds are not available for spending in the subsequent year's budget. Fund balance also is reserved to indicate situations where a position of fund balance is not available for spending on any and all purposes of the fund.
- **Unreserved Designated** – Designations essentially reflect a government's self imposed limitations on the use of otherwise available current financial resources.

7. Utility Sales

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

8. Capital Contributions

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

9. Use of Estimates

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

Rosamond Community Services District
Notes to the Basic Financial Statements, continued
For the Year Ended June 30, 2009

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

C. Financial Statement Elements, continued

10. Budgetary Policies

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

The Board of Directors must approve all supplemental appropriations to the budget and transfers between funds. The legal level of budgetary control is at the fund level. Budget information is presented as required supplementary information for the general, public safety, and road funds.

(2) Cash and Cash Equivalents

Cash and cash equivalents as of June 30, 2009, are classified by fund as follows:

Governmental activity funds:	
Parks and recreation fund	\$ 177,306
Street lighting	90,654
Total	267,960
Business-type activity funds:	
Water	2,245,602
Wastewater	493,502
Total	2,739,104
Total cash and cash equivalents	\$ 3,007,064

Cash and cash equivalents as of June 30, 2009, consist of the following:

Cash on hand	\$ 700
Deposits held with financial institutions	634,270
Deposit of note proceeds held with financial institutions	1,690,641
Certificate-of-deposit maturing October 13, 2009	42,543
Deposits held with the California Local Agency Investment Fund (LAIF)	638,910
Total	\$ 3,007,064

As of June 30, 2009, the District's authorized deposits had the following maturities:

Deposits held with the California Local Agency Investment Fund (LAIF)	235 days
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Authorized Deposits and Investments

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

Rosamond Community Services District
Notes to the Basic Financial Statements, continued
For the Year Ended June 30, 2009

(2) Cash and Cash Equivalents, continued

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the District's investment policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. The District had deposits with a bank balance of \$771,906 as of June 30, 2009. The bank balance of \$771,906 is collateralized by the bank with pledged securities.

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Code and the District's investment policy contains legal and policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The longer the maturity an investment has the greater its fair value has sensitivity to changes in market interest rates. The District's investment policy follows the Code as it relates to limits on investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

Credit Risk

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.

Concentration of Credit Risk

The District's investment policy does not contain various limitations on the amounts that can be invested in any one governmental agency or non-governmental issuer as stipulated by the California Government Code. The District's deposit portfolio with governmental agencies such as the Local Agency Investment Fund (LAIF) was 21% of the District's total depository and investment portfolio as of June 30, 2009.

(3) Accounts Receivable – Utilities, net

The accounts receivable – utilities balance consists of the following balances as of June 30, 2009.

	<u>Street</u>			
	<u>Lighting</u>	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
Accounts receivable – utilities	\$ 18,791	218,104	114,821	351,716
Allowance for uncollectible receivables	-	-	-	-
Accounts receivable – utilities, net	<u>\$ 18,791</u>	<u>218,104</u>	<u>114,821</u>	<u>351,716</u>

Rosamond Community Services District
Notes to the Basic Financial Statements, continued
For the Year Ended June 30, 2009

(4) Internal Balances

Due To/From Other Funds

Internal balances consist of the following at June 30, 2009.

Purpose	Funds		Amount
	Receivable	Payable	
Loan	Water	Parks	\$ 361,340
Loan	Wastewater	Parks	460,358
			\$ 821,698

On October 11, 2006, the Board of Directors adopted an internal loan agreement between funds. The water and wastewater funds will provide assistance in the form of a revolving credit line, up to a maximum amount of \$500,000 to the governmental funds to meet their operating needs. The interest rate will be based on the Local Area Investment Funds (LAIF) rate, established by the Treasurer of the state of California, and be adjusted quarterly. The maturity date for this line of credit is October 11, 2011.

On January 7, 2009, the Board of Directors adopted a second internal loan agreement between funds. The water and wastewater funds will provide assistance in the form of a revolving credit line, up to a maximum amount of \$500,000 to the governmental funds to meet their operating needs. The interest rate will be based on the Local Area Investment Funds (LAIF) rate, established by the Treasurer of the state of California, and be adjusted quarterly. The maturity date for this line of credit is January 7, 2014.

Enterprise Funds – Due To/From Other Funds

Balances consist of the following at June 30, 2009.

Purpose	Funds		Amount
	Receivable	Payable	
Loan	Water	Wastewater	\$ 1,517,304
Loan	Wastewater	Water	(150,565)
			\$ 1,366,739

On November 19, 2008, the Board of Directors adopted an internal loan agreement between funds. The water fund will provide assistance in the form of a revolving credit line, up to a maximum amount of \$3,000,000 to the wastewater fund to meet its expenses related to the construction of the wastewater treatment plant. The interest rate will be based on the Local Area Investment Funds (LAIF) rate, established by the Treasurer of the state of California, and be adjusted quarterly. The maturity date for this line of credit is June 30, 2009 or until the wastewater treatment plant loan proceeds are received from the State of California Water Pollution Control Revolving Fund.

On August 15, 2009, the Board of Directors adopted an internal loan agreement between funds. The wastewater fund will provide assistance in the form of a revolving credit line, up to a maximum amount of \$200,000 to the water fund to meet its operating needs. The interest rate will be based on the Local Area Investment Funds (LAIF) rate, established by the Treasurer of the state of California, and be adjusted quarterly. The maturity date for this line of credit is June 30, 2010.

Rosamond Community Services District
Notes to the Basic Financial Statements, continued
For the Year Ended June 30, 2009

(5) Intangible Asset – Investment in Water Banking - JPA

On July 28, 2008, the District entered into an agreement pursuant to the Joint Exercise of Powers Act (JPA) by and between the Semitropic Improvement District of the Semitropic Water Storage District (Semitropic), Valley Mutual Water Company, LLC (Valley Mutual) and the District; collectively known as the Members, to engage in the development, construction, and operation of groundwater storage and related facilities for the benefit of their memberships and/or customers, such power in the case of Valley Mutual being ancillary to its purpose of delivering water to its memberships at cost.

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

The District as a Member of the Authority, has agreed to acquire 6,000 Authority Shares for the amount of \$6,000,000 under the Joint Powers Agreement. The District has made an initial payment of \$1,000,000 to the Authority upon the execution of the Joint Powers Agreement and starting on January 1, 2009, the District will pay \$500,000 to the Authority every six-months (January 1st and July 1st) until the total payments by the District including the initial payment equals \$6,000,000. As of June 30, 2009 the District has paid the Authority \$1,500,000.

(6) Capital Assets

Governmental Activities

Changes in capital assets for the year were as follows:

	<u>Balance 2008</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance 2009</u>
Non-depreciable assets:				
Land	\$ 648,441	-	-	648,441
Construction in progress	15,574	242,964	(196,921)	61,617
Total non-depreciable assets	<u>664,015</u>	<u>242,964</u>	<u>(196,921)</u>	<u>710,058</u>
Depreciable assets:				
Park improvements	437,231	181,215	-	618,446
Vehicles and equipment	71,470	-	-	71,470
Total depreciable assets	<u>508,701</u>	<u>181,215</u>	<u>-</u>	<u>689,916</u>
Accumulated depreciation:				
Park improvements	(69,969)	(24,403)	-	(94,372)
Vehicles and equipment	(18,860)	(13,144)	-	(32,004)
Total accumulated depreciation	<u>(88,829)</u>	<u>(37,547)</u>	<u>-</u>	<u>(126,376)</u>
Total depreciable assets, net	<u>419,872</u>	<u>143,668</u>	<u>-</u>	<u>563,540</u>
Total capital assets, net	<u>\$ 1,083,887</u>			<u>1,273,598</u>

Rosamond Community Services District
Notes to the Basic Financial Statements, continued
For the Year Ended June 30, 2009

(6) Capital Assets, continued

Construction-in-Progress

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

	2008	2009
Tennis court windscreen	\$ 5,726	-
Pool fence and gate	8,470	-
ADA compliant playground equipment	1,378	-
Felsite park design	-	42,617
Pool solar heater/shelter	-	19,000
Construction-in-progress	\$ 15,574	61,617

Depreciation Expense

Depreciation expense under governmental activities was allotted as follows for the year ended June 30, 2009.

	Depreciation Expense
Parks and recreation	\$ 37,547

Business-Type Activities

Changes in capital assets for the year were as follows:

	Balance 2008	Additions	Deletions/ Transfers	Balance 2009
Non-depreciable assets:				
Land	\$ 1,257,090	444,867	-	1,701,957
Construction in progress	3,439,126	9,483,914	(1,221,389)	11,701,651
Total non-depreciable assets	4,696,216	9,928,781	(1,221,389)	13,403,608
Depreciable assets:				
Facilities system	47,150,756	706,842	-	47,857,598
Vehicles and equipment	1,911,773	22,158	-	1,933,931
Total depreciable assets	49,062,529	729,000	-	49,791,529
Accumulated depreciation:				
Facilities system	(21,880,547)	(1,548,325)	-	(23,428,872)
Vehicles and equipment	(1,210,385)	(159,110)	-	(1,369,495)
Total accumulated depreciation	(23,090,932)	(1,707,435)	-	(24,798,367)
Total depreciable assets, net	25,971,597	(978,435)	-	24,993,162
Total capital assets, net	\$ 30,667,813			38,396,770

Rosamond Community Services District
Notes to the Basic Financial Statements, continued
For the Year Ended June 30, 2009

(6) Capital Assets, continued

Construction-in-Progress

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

	2008	2009
Wastewater treatment plant	\$ 2,602,323	10,212,247
Acacia/Poplar project	140,783	-
Well No. 5 arsenic removal	112,234	112,687
Well No. 6 arsenic removal	101,935	102,191
Water conservation demonstration garden	-	628,678
Various projects <\$100,000	481,851	645,848
Construction-in-progress	\$ 3,439,126	11,701,651

Depreciation Expense

Depreciation expense under business-type activities was allotted as follows for the year ended June 30, 2009.

	Depreciation Expense
Water facility and systems	\$ 1,499,815
Wastewater facility and systems	207,620
Total	\$ 1,707,435

Rosamond Community Services District
Notes to the Basic Financial Statements, continued
For the Year Ended June 30, 2009

(6) Capital Assets, continued

A summary of changes of capital assets per Enterprise Funds are as follows:

<u>Water Enterprise</u>	<u>Balance 2008</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance 2009</u>
Non-depreciable assets:				
Land	\$ 1,086,484	100,237	-	1,186,721
Construction in progress	513,119	1,748,347	(1,036,746)	1,224,720
Total non-depreciable assets	<u>1,599,603</u>	<u>1,848,584</u>	<u>(1,036,746)</u>	<u>2,411,441</u>
Depreciable assets:				
Water transmission and distribution	41,620,627	536,754	-	42,157,381
Vehicles and equipment	1,340,028	7,603	-	1,347,631
Total depreciable assets	<u>42,960,655</u>	<u>544,357</u>	<u>-</u>	<u>43,505,012</u>
Accumulated depreciation:				
Water transmission and distribution	(18,282,941)	(1,381,702)	-	(19,664,643)
Vehicles and equipment	(758,832)	(118,113)	-	(876,945)
Total accumulated depreciation	<u>(19,041,773)</u>	<u>(1,499,815)</u>	<u>-</u>	<u>(20,541,588)</u>
Total depreciable assets, net	<u>23,918,882</u>	<u>(955,458)</u>	<u>-</u>	<u>22,963,424</u>
Total capital assets, net	<u>\$ 25,518,485</u>			<u>25,374,865</u>
<hr/>				
<u>Wastewater Enterprise</u>	<u>Balance 2008</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance 2009</u>
Non-depreciable assets:				
Land	\$ 170,605	344,630	-	515,235
Construction in progress	2,926,008	7,735,567	(184,643)	10,476,932
Total non-depreciable assets	<u>3,096,613</u>	<u>8,080,197</u>	<u>(184,643)</u>	<u>10,992,167</u>
Depreciable assets:				
Wastewater system	5,530,128	170,088	-	5,700,216
Vehicles and equipment	571,747	14,555	-	586,302
Total depreciable assets	<u>6,101,875</u>	<u>184,643</u>	<u>-</u>	<u>6,286,518</u>
Accumulated depreciation:				
Wastewater system	(3,597,607)	(166,622)	-	(3,764,229)
Vehicles and equipment	(451,553)	(40,998)	-	(492,551)
Total accumulated depreciation	<u>(4,049,160)</u>	<u>(207,620)</u>	<u>-</u>	<u>(4,256,780)</u>
Total depreciable assets, net	<u>2,052,715</u>	<u>(22,977)</u>	<u>-</u>	<u>2,029,738</u>
Total capital assets, net	<u>\$ 5,149,328</u>			<u>13,021,905</u>

Rosamond Community Services District
Notes to the Basic Financial Statements, continued
For the Year Ended June 30, 2009

(7) Compensated Absences

Compensated absences for vacation leave are accrued as follows:

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

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

- The District's obligation relating to employees' rights to receive compensation for future absences is attributable to employees' services already rendered.
- The obligation related to rights that vest or accumulate.
- Payment of the compensation is probable.
- The amount can be reasonably estimated.

Changes in compensated absences as of June 30, 2009, were as follows:

		<u>Governmental Activities</u>	<u>Business-type Activities</u>
Compensated absences, beginning	\$	45,711	189,230
Current year employee earnings		53,664	188,127
Employee vacation time taken		<u>(45,737)</u>	<u>(172,717)</u>
Compensated absences, ending		53,638	204,640
Less: current portion payable		<u>(13,410)</u>	<u>(51,160)</u>
Long-term portion payable	\$	<u><u>40,228</u></u>	<u><u>153,480</u></u>

(8) Notes Payable

		<u>Balance 2008</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance 2009</u>
<u>Business-type activities:</u>					
Water fund:					
LaSalle National Bank Note	\$	769,863	-	(97,027)	672,836
Zions Bank Note		-	2,400,000	(39,382)	2,360,618
Albers Note		-	300,000	-	300,000
Wastewater fund:					
La Salle National Bank Note		513,242	-	(64,684)	448,558
Zions Bank Note		-	600,000	(9,846)	590,154
State Water Pollution Control Note		-	<u>7,851,089</u>	-	<u>7,851,089</u>
Total		<u>1,283,105</u>	<u>11,151,089</u>	<u>(210,939)</u>	<u>12,223,255</u>
Less: current portion due		<u>(161,711)</u>			<u>(362,566)</u>
Long-term portion due	\$	<u><u>1,121,394</u></u>			<u><u>11,860,689</u></u>

Rosamond Community Services District
Notes to the Basic Financial Statements, continued
For the Year Ended June 30, 2009

(8) Notes Payable, continued

La Salle National Bank Note

In May 2003, the District obtained a \$2,000,000 note with La Salle National Bank at an interest rate of 4.5% per annum in order to complete the construction of the new administration and operations buildings. The District has split the loan 60/40 between the water and sewer funds whereas the water fund was obligated \$1,200,000 and the wastewater fund was obligated \$800,000. The note is scheduled to mature in fiscal year 2015. Principal and interest semi-annual installments of \$106,402 are payable on November 22nd, and May 22nd each year. Annual debt service requirements on the loan are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 168,426	44,378	212,804
2011	175,419	37,385	212,804
2012	182,703	30,101	212,804
2013	190,289	22,515	212,804
2014	198,191	14,613	212,804
2015	<u>206,366</u>	<u>6,438</u>	<u>212,804</u>
Total	\$ 1,121,394	<u>155,430</u>	<u>1,276,824</u>
Less: current	<u>(168,426)</u>		
Long-term	<u>\$ 952,968</u>		

Zions Bank Note

In December 2008, the District obtained a \$3,000,000 installment sale note with Zions Bank with interest rates ranging between 3.090% to 5.060% per annum in order to complete the construction of various District projects. The District has split the loan 80/20 between the water and sewer funds whereas the water fund was obligated \$2,400,000 and the wastewater fund was obligated \$600,000. The note is scheduled to mature in fiscal year 2029. Principal and interest semi-annual installments of \$119,720 are payable on December 15th, and June 15th each year. Annual debt service requirements on the loan are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 94,140	145,300	239,440
2011	97,507	141,933	239,440
2012	101,708	137,731	239,439
2013	106,460	132,980	239,440
2014	111,757	127,683	239,440
2015-2019	650,781	546,417	1,197,198
2020-2024	835,498	361,700	1,197,198
2025-2029	<u>952,921</u>	<u>124,558</u>	<u>1,077,479</u>
Total	\$ 2,950,772	<u>1,718,302</u>	<u>4,669,074</u>
Less: current	<u>(94,140)</u>		
Long-term	<u>\$ 2,856,632</u>		

Rosamond Community Services District
Notes to the Basic Financial Statements, continued
For the Year Ended June 30, 2009

(8) Notes Payable, continued

Albers Note

In December 2008, the District purchased a tract of land and executed a promissory note for \$300,000 with an interest rate of prime plus one-percent at the date of close of escrow and adjusting annually thereafter. The note is scheduled to mature in December 2011. Principal is paid annually on December 12th each year and interest is paid monthly. Annual estimated debt service requirements on the loan are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Estimated Interest</u>	<u>Total</u>
2010	\$ 100,000	15,000	115,000
2011	100,000	10,000	110,000
2012	100,000	5,000	105,000
Total	\$ 300,000	30,000	330,000
Less: current	(100,000)		
Long-term	\$ 200,000		

State Water Pollution Control Note

In 2009, the District executed an agreement for a \$8,300,000 reclamation note with the State of California Water Pollution Control Fund at an interest rate of 2.6% per annum in order to complete the construction of the new wastewater treatment plant. The note is scheduled to mature in twenty years after the wastewater treatment plant is completed. Principal and interest installments of \$534,927 will be payable annually each year. At June 30, 2009, the District has \$448,911 in reimbursable requests outstanding to reach the \$8,300,000 total for the note. Annual estimated debt service requirements on the loan are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ -	-	-
2011	359,319	175,608	534,927
2012	328,469	206,458	534,927
2013	337,009	197,918	534,927
2014	345,772	189,155	534,927
2015-2019	1,868,474	806,160	2,674,634
2020-2024	2,124,341	550,293	2,674,634
2025-2029	2,415,245	259,389	2,674,634
2030	521,371	13,555	534,926
Total	\$ 8,300,000	2,398,536	10,698,536
Principal unused	(448,911)		
Less: current	-		
Long-term	\$ 7,851,089		

Rosamond Community Services District
Notes to the Basic Financial Statements, continued
For the Year Ended June 30, 2009

(9) Net Assets

The calculations of net asset categories are as follows:

	Governmental Activities	Business-type Activities	Total
The balance consists of the following:			
Investment in water banking – JPA	\$ -	1,500,000	1,500,000
Capital assets – not being depreciated	710,058	13,403,608	14,113,666
Capital assets – being depreciated, net	563,540	24,993,162	25,556,702
Note payable – current portion	-	(362,566)	(362,566)
Note payable – long-term portion	-	(11,860,689)	(11,860,689)
Net investment in capital assets	<u>\$ 1,273,598</u>	<u>27,673,515</u>	<u>28,947,113</u>
Net assets are restricted as follows:			
Water fund – capital improvements	\$ -	1,402,938	1,402,938
Wastewater fund – capital improvements	-	287,703	287,703
Restricted net assets	<u>\$ -</u>	<u>1,690,641</u>	<u>1,690,641</u>
Net assets are designated as follows:			
Prepaid expenses and other assets	\$ 9,901	858,184	868,085
Parks and recreation	(949,967)	-	(949,967)
Street lighting	74,193	-	74,193
Water operations and capital replacement	-	1,824,801	1,824,801
Wastewater operations and capital replacement	-	4,044,875	4,044,875
Unrestricted net assets	<u>\$ (865,873)</u>	<u>6,727,860</u>	<u>5,861,987</u>

Rosamond Community Services District
Notes to the Basic Financial Statements, continued
For the Year Ended June 30, 2009

(10) Defined Benefit Pension Plan

Plan Description

The District contributes to the California Public Employees Retirement System (CalPERS), a cost-sharing multiple-employer defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public agencies within the State of California. Benefit provisions and all other requirements are established by state statute and the District. Copies of CalPERS annual financial report may be obtained from their executive Office: 400 P Street, Sacramento, CA, 95814.

Funding Policy

The contribution rate for plan members in the CalPERS 2.5% at 55 Risk Pool Retirement Plan is 8% of their annual covered salary. The District pays 1.0% of the contributions required of District employees on their behalf and for their account. Also, the District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The required employer contribution rates are equal to the annual pension cost (APC) percentage of payroll for fiscal years 2009, 2008 and 2007 as noted below. The contribution requirements of the plan members are established by State statute, and the employer contribution rate is established and may be amended by CalPERS. For fiscal years 2009, 2008 and 2007, the District's annual contributions for the CalPERS plan were equal to the District's required and actual contributions for each fiscal year as follows:

Three Years CalPERS Funding Information

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation	APC Percentage of Payroll
2006-2007	\$ 89,608	100%	-	12.184%
2007-2008	244,431	100%	-	14.804%
2008-2009	332,345	100%	-	15.346%

Rosamond Community Services District
Notes to the Basic Financial Statements, continued
For the Year Ended June 30, 2009

(11) Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is a member of the Special District Risk Management Authority (SDRMA), an intergovernmental risk sharing joint powers authority created to provide self-insurance programs for California special districts. The purpose of the SDRMA is to arrange and administer programs of self-insured losses and to purchase excess insurance coverage. At June 30, 2009, the District participated in the liability and property programs of the SDRMA as follows:

- General and auto liability, public officials and employees' errors and omissions: Total risk financing self-insurance limits of \$2,500,000, combined single limit at \$2,500,000 per occurrence. The District purchased additional excess coverage layers: \$7,500,000 for general, auto and public officials liability, which increases the limits on the insurance coverage noted above.

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

- Employee dishonesty coverage up to \$400,000 per loss includes public employee dishonesty, forgery or alteration and theft, disappearance and destruction coverages.
- Property loss is paid at the replacement cost for property on file, if replaced within two years after the loss, otherwise paid on an actual cash value basis, to a combined total of \$1.0 billion per occurrence, subject to a \$5,000 deductible per occurrence.
- Boiler and machinery coverage for the replacement cost up to \$100 million per occurrence, subject to a \$5,000 deductible per occurrence.
- Public officials personal liability up to \$500,000 each occurrence, with an annual aggregate of \$100,000 per each elected/appointed official to which this coverage applies, subject to the terms, with a deductible of \$500 per claim.
- Workers' compensation insurance up to \$200 million per occurrence and Employer's Liability Coverage up to \$5 million.

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years. There were no reductions in insurance coverage in fiscal year 2009, 2008 and 2007. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no material IBNR claims payable as of June 30, 2009, 2008 and 2007.

Rosamond Community Services District
Notes to the Basic Financial Statements, continued
For the Year Ended June 30, 2009

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

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2009, that have effective dates that may impact future financial presentations.

Governmental Accounting Standards Board Statement No. 51

In June 2007, the GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. This statement is not effective for this District until the fiscal year ended June 30, 2010. This statement is not expected to have a significant impact on the presentation of the District's financial statements.

Governmental Accounting Standards Board Statement No. 53

In June 2008, the GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. This statement is not effective for this District until the fiscal year ended June 30, 2010. This statement is not expected to have a significant impact on the presentation of the District's financial statements.

(13) Commitments and Contingencies

Litigation

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

Construction Contracts

The District had only one major commitment outstanding for the construction of its Wastewater Treatment Plant for \$447,535.

Grant Awards

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

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Supplemental Information

Rosamond Community Services District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual – Parks and Recreation Fund
For the Year Ended June 30, 2009

	<u>Adopted Original Budget</u>	<u>Board Approved Changes</u>	<u>Revised Final Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance Positive (Negative)</u>
Revenues:					
Property taxes	\$ 288,000	-	288,000	313,652	25,652
Special assessments	-	-	-	166,071	166,071
Charges for services	50,470	-	50,470	37,008	(13,462)
Capital grants and facility charges	45,000	-	45,000	3,628	(41,372)
Interest earnings	-	-	-	7,694	7,694
Other	130,000	-	130,000	-	(130,000)
Total revenues	<u>513,470</u>	<u>-</u>	<u>513,470</u>	<u>528,053</u>	<u>14,583</u>
Expenditures:					
Salaries	714,729	-	714,729	732,729	(18,000)
Operations	413,611	-	413,611	298,890	114,721
Capital outlay	-	-	-	227,258	(227,258)
Interest	15,109	-	15,109	17,836	(2,727)
Total expenditures	<u>1,143,449</u>	<u>-</u>	<u>1,143,449</u>	<u>1,276,713</u>	<u>(133,264)</u>
Net change in fund balance	<u>(629,979)</u>	<u>-</u>	<u>(629,979)</u>	<u>(748,660)</u>	<u>(118,681)</u>
Fund balance, beginning of year	<u>(137,768)</u>	<u>-</u>	<u>(137,768)</u>	<u>(137,768)</u>	
Fund balance, end of year	<u>\$ (767,747)</u>	<u>-</u>	<u>(767,747)</u>	<u>(886,428)</u>	

Rosamond Community Services District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual – Street Lighting Fund
For the Year Ended June 30, 2009

	<u>Adopted Original Budget</u>	<u>Board Approved Changes</u>	<u>Revised Final Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance Positive (Negative)</u>
Revenues:					
Special assessment	\$ 71,936	-	71,936	99,566	27,630
Interest earnings	-	-	-	2,454	2,454
Total revenues	<u>71,936</u>	<u>-</u>	<u>71,936</u>	<u>102,020</u>	<u>30,084</u>
Expenditures:					
Operations	70,000	-	70,000	89,852	(19,852)
Capital outlay	-	-	-	-	-
Total expenditures	<u>70,000</u>	<u>-</u>	<u>70,000</u>	<u>89,852</u>	<u>(19,852)</u>
Net change in fund balance	1,936	-	1,936	12,168	<u>49,936</u>
Fund balance, beginning of year	<u>62,025</u>	<u>-</u>	<u>62,025</u>	<u>62,025</u>	
Fund balance, end of year	<u>\$ 63,961</u>	<u>-</u>	<u>63,961</u>	<u>74,193</u>	

Rosamond Community Services District
Schedule of Revenues, Expenses and Changes in Net Assets
Budget and Actual – Water Fund
For the Year Ended June 30, 2009

	<u>Adopted Original Budget</u>	<u>Board Approved Changes</u>	<u>Revised Final Budget</u>	<u>Actual Basis</u>	<u>Variance Positive (Negative)</u>
Operating revenues:					
Water consumption sales	\$ 2,530,273	-	2,530,273	2,111,666	(418,607)
Total operating revenues	<u>2,530,273</u>	<u>-</u>	<u>2,530,273</u>	<u>2,111,666</u>	<u>(418,607)</u>
Operating expenses:					
Salaries and benefits	1,272,990	-	1,272,990	1,669,047	(396,057)
Operations	1,550,992	-	1,550,992	1,723,684	(172,692)
Total operating expenses	<u>2,823,982</u>	<u>-</u>	<u>2,823,982</u>	<u>3,392,731</u>	<u>(568,749)</u>
Operating income(loss) before capital	(293,709)	-	(293,709)	(1,281,065)	(987,356)
Depreciation expense	-	-	-	(1,499,815)	(1,499,815)
Operating income(loss)	<u>(293,709)</u>	<u>-</u>	<u>(293,709)</u>	<u>(2,780,880)</u>	<u>(2,487,171)</u>
Non-operating revenue(expense):					
Interest earnings	60,000	-	60,000	75,881	15,881
Interest expense	(105,547)	-	(105,547)	(104,433)	1,114
Total non-operating, net	<u>(45,547)</u>	<u>-</u>	<u>(45,547)</u>	<u>(28,552)</u>	<u>16,995</u>
Capital contributions and purchases:					
Connection fees	-	-	-	188,159	188,159
Capital outlay	-	-	-	-	-
Contributions	-	-	-	3,614	3,614
Total capital contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>191,773</u>	<u>191,773</u>
Change in net assets	<u>(339,256)</u>	<u>-</u>	<u>(339,256)</u>	<u>(2,617,659)</u>	<u>(2,278,403)</u>
Net assets, beginning of year	<u>29,684,811</u>	<u>-</u>	<u>29,684,811</u>	<u>29,684,811</u>	
Net assets, end of year	<u>\$ 29,345,555</u>	<u>-</u>	<u>29,345,555</u>	<u>27,067,152</u>	

Rosamond Community Services District
Schedule of Revenues, Expenses and Changes in Net Assets
Budget and Actual – Wastewater Fund
For the Year Ended June 30, 2009

	<u>Adopted Original Budget</u>	<u>Board Approved Changes</u>	<u>Revised Final Budget</u>	<u>Actual Basis</u>	<u>Variance Positive (Negative)</u>
Operating revenues:					
Wastewater service charges	\$ 1,768,459	-	1,768,459	1,510,291	(258,168)
Total operating revenues	<u>1,768,459</u>	<u>-</u>	<u>1,768,459</u>	<u>1,510,291</u>	<u>(258,168)</u>
Operating expenses:					
Salaries and benefits	1,126,868	-	1,126,868	705,837	421,031
Operations	643,817	-	643,817	511,335	132,482
Total operating expenses	<u>1,770,685</u>	<u>-</u>	<u>1,770,685</u>	<u>1,217,172</u>	<u>553,513</u>
Operating income(loss) before capital	(2,226)	-	(2,226)	293,119	295,345
Depreciation expense	-	-	-	(207,620)	(207,620)
Operating income(loss)	<u>(2,226)</u>	<u>-</u>	<u>(2,226)</u>	<u>85,499</u>	<u>87,725</u>
Non-operating revenue(expense):					
Interest earnings	40,000	-	40,000	53,683	13,683
Interest expense	(24,437)	-	(24,437)	(94,419)	(69,982)
Total non-operating, net	<u>15,563</u>	<u>-</u>	<u>15,563</u>	<u>(40,736)</u>	<u>(56,299)</u>
Capital contributions and purchases:					
Capital outlay	-	-	-	-	-
Conservation fees	-	-	-	70,950	70,950
Connection fees	-	-	-	178,200	178,200
Total capital contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>249,150</u>	<u>249,150</u>
Change in net assets	<u>13,337</u>	<u>-</u>	<u>13,337</u>	<u>293,913</u>	<u>280,576</u>
Net assets, beginning of year	<u>8,730,951</u>	<u>-</u>	<u>8,730,951</u>	<u>8,730,951</u>	
Net assets, end of year	<u>\$ 8,744,288</u>	<u>-</u>	<u>8,744,288</u>	<u>9,024,864</u>	

Report on Compliance and Internal Controls



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

Board of Directors
Rosamond Community Services District
Rosamond, California

We have audited the basic financial statements of the Rosamond Community Services District (District) as of and for the year ended June 30, 2009, and have issued our report thereon dated September 30, 2009. 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.

Internal Control Over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control. Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors and management and is not intended to be and should not be used by anyone other than these specified parties.

September 30, 2009
Cypress, California

Charles Z. Fedak, CPA
An Accountancy Corporation