



Rosamond Community Services District Financial Status Report

As of December 31, 2014

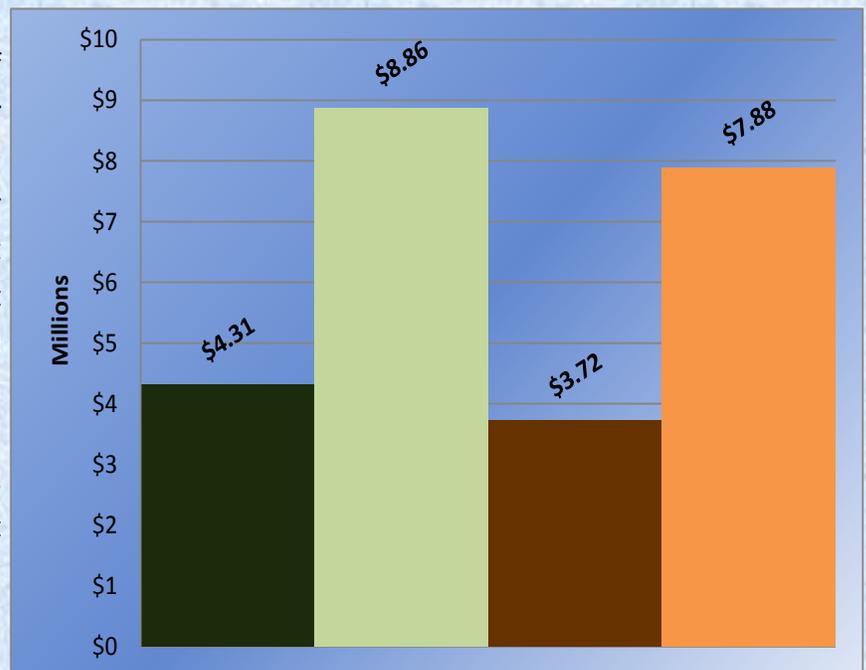


Report Overview

This report summarizes the District's financial performance for the six months ended December 31, 2014. Financial analysis for this report is provided for the Water, Sewer, Street Lighting and Park Funds. The figures presented here are unaudited. Revenue actuals have been adjusted for semi-annual collections of taxes, charges for services or assessment fees which were earned in December but collected in January. Similarly, expenditure actuals have been adjusted for one time yearly or semi-periodic expenditures to smooth the presentation of data and more accurately report the incurrence of expenditures over their relevant use period.

District Overview

The District reported a net revenue of \$593,394 for the first half of the year which is inline with expectations. Unlike first quarter, the end of the second quarter presents a much clearer picture of budget to actual data. This is because in first quarter, expenditures typically exceed revenues as a result of the timing of cash receipts such as property tax. As you will see in the following pages, the District has managed the cost of operations in strict conformance with the budget.



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Water Fund

Total Water fund revenues are at 50% of annual. Charges for services are inline with expectations while connection and installation charges lag at 11% due to less than anticipated development. The interest and miscellaneous income is at 170% due to an unanticipated transfer from the Legacy development deposit balance. Interest income is also higher than expected due to more strategic employment of the District's investment portfolio.

Water fund expenses fell 6% below expectations. While salaries, wages and repairs are higher than anticipated, operating expenses such as utilities, business expenses, general & administrative, office supplies and interest expense are all considerably under budget projections leaving the fund in a surplus position of \$272,962.



| Water Fund Revenues by Object | | | |
|--------------------------------------|------------------|-------------------|------------|
| Object | Budget | YTD Actual | % |
| Property taxes and assessments | - | - | 0% |
| Assessment fees | 983,723 | 373,482 | 38% |
| Charges for services | 3,575,600 | 1,993,739 | 56% |
| Permits and fees | 47,392 | - | 0% |
| Connection and installation charges | 139,696 | 10,000 | 7% |
| Rent | - | - | 0% |
| Interest and miscellaneous income | 4,325 | 7,351 | 170% |
| Total | 4,750,736 | 2,384,573 | 50% |



| Water Fund Expenses by Object | | | |
|--------------------------------------|--------------------|--------------------|------------|
| Object | Budget | YTD Actual | % |
| Salaries and wages | (1,014,382) | (613,408) | 60% |
| Holiday, sick and vacation pay | 142,334 | 56,926 | 40% |
| Repairs and maintenance | (467,250) | (334,041) | 71% |
| Meters and banked water expenses | (35,450) | - | 0% |
| Utilities and business expenses | (116,700) | (36,797) | 32% |
| General and administrative expenses | (1,290,112) | (248,100) | 19% |
| Office and employment expenses | (406,922) | (163,448) | 40% |
| Office supplies | (40,550) | (14,028) | 35% |
| Outside services | (23,850) | (13,977) | 59% |
| Interest expense | (112,005) | (28,496) | 25% |
| Depreciation | (1,389,310) | (716,242) | 52% |
| Total | (4,754,197) | (2,111,611) | 44% |

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Sewer Fund

Total Sewer fund revenues are at 46% and have been adjusted for the change in base fee collection procedures. Permits and fees came in at 30% and connection charges came in at 9% due to lower than anticipated development. Interest and miscellaneous income are reported higher than expected due to more strategic employment of the District's investment portfolio.

Sewer fund expenses are in line with expectations for these two quarters. Depreciation has been reanalyzed since the first quarter report. Due to the large asset additions from the Waste Water Treatment Plant which were employed subsequent to the budget preparation, it is reported at 187%. Had depreciation come in according to the budget, total expenses would be at 45%, or 5% under budget.



| Sewer Fund Revenues by Object | | | |
|--------------------------------------|------------------|-------------------|------------|
| Object | Budget | YTD Actual | % |
| Property taxes and assessments | - | - | 0% |
| Assessment fees | - | - | 0% |
| Charges for services | 3,318,400 | 1,583,997 | 48% |
| Permits and fees | 145,308 | 44,275 | 30% |
| Connection and installation charges | 54,964 | 4,800 | 9% |
| Rent | - | - | 0% |
| Interest and miscellaneous income | 13,600 | 8,966 | 66% |
| Total | 3,532,272 | 1,642,037 | 46% |



| Sewer Fund Expenses by Object | | | |
|--------------------------------------|--------------------|--------------------|------------|
| Object | Budget | YTD Actual | % |
| Salaries and wages | (825,859) | (322,391) | 39% |
| Holiday, sick and vacation pay | (87,176) | (40,577) | 47% |
| Repairs and maintenance | (282,970) | (127,952) | 45% |
| Meters and banked water expenses | (450) | - | 0% |
| Utilities and business expenses | (77,100) | (29,329) | 38% |
| General and administrative expenses | (313,067) | (134,072) | 43% |
| Office and employment expenses | (268,922) | (158,826) | 59% |
| Office supplies | (41,550) | (12,985) | 31% |
| Outside services | (23,850) | (12,364) | 52% |
| Interest expense | (187,151) | (90,074) | 48% |
| Depreciation | (180,996) | (338,213) | 187% |
| Total | (2,289,091) | (1,266,783) | 55% |

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Street Lighting Funds (Funds 03 & 04)

In May 2014, the community took to the polls to vote on whether or not their zone would be willing to shoulder the cost for street lighting and be annexed into LLAD # 2. Therefore, for the second quarter financial status report, the street light analysis has been broken up between Fund 03 (Street Lighting) and Fund 04 (LLAD # 2) for purposes of highlighting the differences in fund activity.

As a whole, the two funds have generated a surplus of \$7,326 for the period ended December 31, 2014. The street light fund has sustained a loss of \$3,692 while the LLAD # 2 fund has generated a surplus of \$11,018. Total revenues are 9% higher than anticipated, while expenditures are 15% lower than projected.

| Street Light Funds Revenues by Object | | | |
|--|---------------|-------------------|------------|
| Object | Budget | YTD Actual | % |
| Property taxes and assessments | - | - | 0% |
| Assessment fees | 23,190 | 18,208 | 79% |
| Charges for services | 72,900 | 39,589 | 54% |
| Permits and fees | - | - | 0% |
| Connection and installation charges | - | - | 0% |
| Rent | - | - | 0% |
| Interest and miscellaneous income | 1,326 | 32 | 2% |
| Total | 97,416 | 57,829 | 59% |



| Street Light Funds Expenditures by Object | | | |
|--|------------------|-------------------|------------|
| Object | Budget | YTD Actual | % |
| Salaries and wages | - | (73) | 0% |
| Holiday, sick and vacation pay | - | - | 0% |
| Repairs and maintenance | (107,230) | (46,884) | 44% |
| Meters and banked water expenses | (2,550) | - | 0% |
| Utilities and business expenses | (5,100) | (460) | 9% |
| General and administrative expenses | (26,873) | (2,288) | 9% |
| Office and employment expenses | (4,110) | (711) | 17% |
| Office supplies | - | (89) | 0% |
| Outside services | - | - | 0% |
| Interest expense | - | - | 0% |
| Depreciation | - | - | 0% |
| Total | (145,863) | (50,504) | 35% |

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Street Lighting Fund (Fund 03)

Predicting consumer behavior is likely the most difficult hurdle that managers everywhere have to address in the budget process. While governments are different in many ways, financial and managerial personnel are still tasked with determining how much their community members are willing to pay for services. Fund 03, originally set up to collect and administer arterial lighting services for the community as a whole, has been running in a deficit for over five years. Through comprehensive and thorough cost analysis, management has taken proactive steps to stop the overspending and identified that without commensurate revenue matching, the funds would never recover from years of overspending. Costs originally absorbed by Fund 03 have been moved to Fund 04 where they are being matched against the revenue sources for the zone's that voted them in. For Fund 03, this means it will generate a loss that when annualized, will represent less than 7% of the original budgeted deficit. In other words, Fund 03 had budgeted to lose \$107,669 and is trending to lose \$7,384; a savings of \$100,285.

| Street Light Fund (Fund 03) Revenues by Object | | | |
|---|---------------|-------------------|------------|
| Object | Budget | YTD Actual | % |
| Property taxes and assessments | - | - | 0% |
| Assessment fees | - | - | 0% |
| Charges for services | 72,900 | 39,589 | 54% |
| Permits and fees | - | - | 0% |
| Connection and installation charges | - | - | 0% |
| Rent | - | - | 0% |
| Interest and miscellaneous income | 66 | 32 | 49% |
| Total | 72,966 | 39,621 | 54% |



| Street Light Fund (Fund 03) Expenditures by Object | | | |
|---|------------------|-------------------|------------|
| Object | Budget | YTD Actual | % |
| Salaries and wages | - | - | 0% |
| Holiday, sick and vacation pay | - | - | 0% |
| Repairs and maintenance | (86,840) | (42,205) | 49% |
| Meters and banked water expenses | - | - | 0% |
| Utilities and business expenses | (5,100) | (460) | 9% |
| General and administrative expenses | (13,674) | - | 0% |
| Office and employment expenses | (2,055) | (570) | 28% |
| Office supplies | - | (79) | 0% |
| Outside services | - | - | 0% |
| Interest expense | - | - | 0% |
| Depreciation | - | - | 0% |
| Total | (107,669) | (43,313) | 40% |

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LLAD # 2 Fund (Fund 04)

LLAD # 2 (Lighting and Landscape Assessment District Zone 2) was set up in 2006 to collect revenues and administer street lighting to new development in the Rosamond Community. For the last five years, this fund has been running in a deficit along with the street lighting fund due to a short in the revenue when compared to the cost. As a result of the May 2014 vote, community members agreed to bear a more appropriate amount of the cost for these lights and as a result, this fund has generated a surplus for the period ended December 31, 2014 in the amount of \$11,018. Through proper identification of cost responsibility and a tightly regulated budget, this management team has begun the grueling task of digging itself out from under a significant fund balance deficit.

| LLAD # 2 Fund (Fund 04) Revenues by Object | | | |
|---|---------------|-------------------|------------|
| Object | Budget | YTD Actual | % |
| Property taxes and assessments | - | - | 0% |
| Assessment fees | 23,190 | 18,208 | 79% |
| Charges for services | - | - | 0% |
| Permits and fees | - | - | 0% |
| Connection and installation charges | - | - | 0% |
| Rent | - | - | 0% |
| Interest and miscellaneous income | 1,260 | - | 0% |
| Total | 24,450 | 18,208 | 74% |



| LLAD # 2 Fund (Fund 04) Expenditures by Object | | | |
|---|-----------------|-------------------|------------|
| Object | Budget | YTD Actual | % |
| Salaries and wages | - | (73) | 0% |
| Holiday, sick and vacation pay | - | - | 0% |
| Repairs and maintenance | (20,390) | (4,680) | 23% |
| Meters and banked water expenses | (2,550) | - | 0% |
| Utilities and business expenses | - | - | 0% |
| General and administrative expenses | (13,199) | (2,288) | 17% |
| Office and employment expenses | (2,055) | (140) | 7% |
| Office supplies | - | (10) | 0% |
| Outside services | - | - | 0% |
| Interest expense | - | - | 0% |
| Depreciation | - | - | 0% |
| Total | (38,194) | (7,190) | 19% |

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Park Funds

As a whole, the park funds are performing as expected at December 31, 2014. Total revenues are 48% of budget and expenditures are 42% of budget. The significant revenue sources such as property tax, CSA and rent were all within or above expectations. All but three expenditure categories came in under budget.



| Park Funds Revenues by Object | | | |
|--------------------------------------|----------------|-------------------|------------|
| Object | Budget | YTD Actual | % |
| Property taxes and assessments | 230,020 | 138,237 | 60% |
| Assessment fees | - | 1,440 | 0% |
| Charges for services | 2,850 | 750 | 26% |
| Permits and fees | 230,000 | 79,820 | 35% |
| Connection and installation charges | - | - | 0% |
| Rent | 16,200 | 8,100 | 50% |
| Interest and miscellaneous income | 2,552 | 2,125 | 83% |
| Total | 481,622 | 230,471 | 48% |



| Park Funds Expenditures by Object | | | |
|--|------------------|-------------------|------------|
| Object | Budget | YTD Actual | % |
| Salaries and wages | (252,986) | (93,760) | 37% |
| Holiday, sick and vacation pay | (26,923) | (6,720) | 25% |
| Repairs and maintenance | (233,550) | (102,229) | 44% |
| Meters and banked water expenses | (100) | - | 0% |
| Utilities and business expenses | (24,600) | (8,246) | 34% |
| General and administrative expenses | (42,520) | (12,235) | 29% |
| Office and employment expenses | (46,821) | (27,221) | 58% |
| Office supplies | (4,900) | (1,987) | 41% |
| Outside services | (5,300) | (8,830) | 167% |
| Interest expense | (6,014) | (2,333) | 39% |
| Depreciation | (50,070) | (29,060) | 58% |
| Total | (693,784) | (292,620) | 42% |

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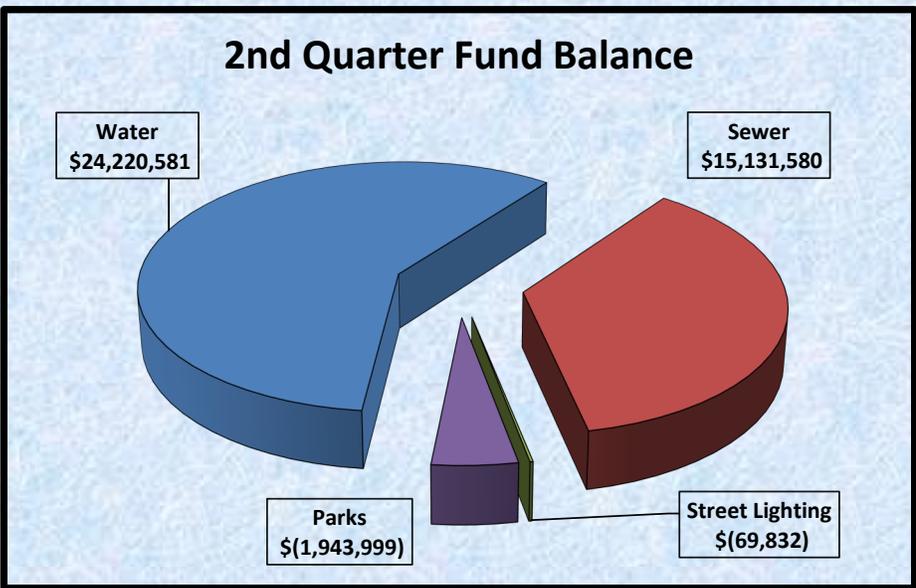
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Fund Balance

Fund balance is a term used by accountants to discuss a funds earnings or losses over several fiscal years, synonymous with retained earnings in the private sector. It is not to be confused with the amount of cash any particular fund may have or used in a given period of time.

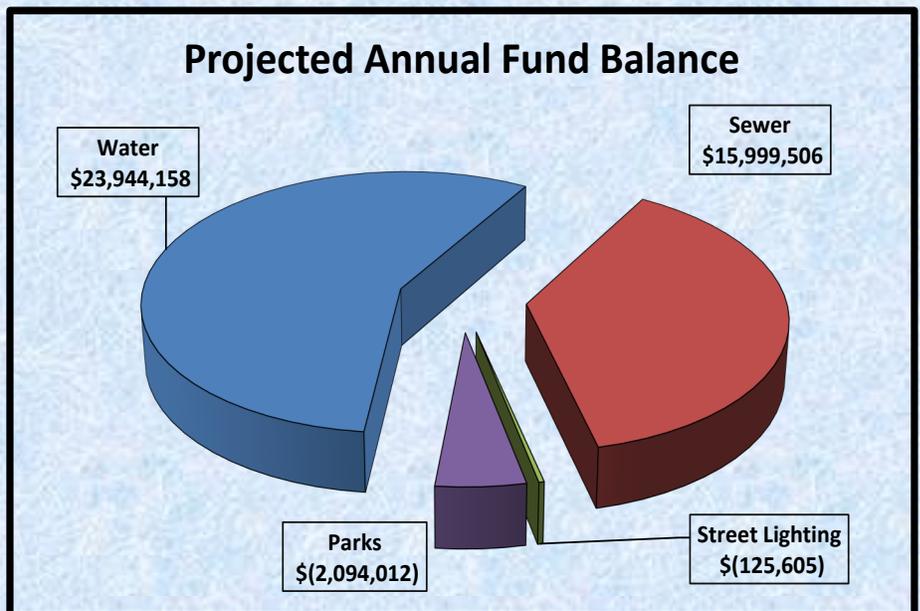
Fund balances after second quarter are at or above expectations. As seen in the graph below, and as described in the previous pages, the Street Lighting Funds, in aggregate, have generated a surplus for the six months ended December 31, 2014. The Park Funds are continuing to lose money. However, the loses incurred to date are significantly lower than expected .



As seen here, fund balances for water and sewer remain steady at expected levels.

Street Lighting and Parks continue to incur more expenditures than revenues but have favorably controlled costs over the first half of fiscal year 2014-2015.

Annual fund balances are projected to decrease by \$3,461 in the water fund, increase \$1.24 million in the sewer fund, decrease \$48K in the Street Lighting fund and \$212K in the Park Funds. However, if the trends from the first half of the year continue, the District fund balances stand to realize significant overachievement when compared to budget expectations.



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Cash Balance

The cash sources and uses of each fund show on a real time basis how the fund is performing in a given period of time. For the two quarters ended December 31, 2014, the District paid out \$266,431 more than it took in.

Water: Spent \$436,980 more than it took in

Sewer: Took in \$203,242 more than it spent

Street Lighting: Took in \$12,100 more than it spent

Parks: Spent \$44,793 more than it took in

| 2nd Quarter Actuals | Water | Sewer | Street Lighting | Parks | Total |
|-------------------------|-------------|-----------|-----------------|-----------|-------------|
| 2nd Quarter Sources | 1,190,318 | 690,748 | 41,060 | 73,111 | 1,995,237 |
| 2nd Quarter Uses | (1,627,298) | (487,506) | (28,960) | (117,904) | (2,261,668) |
| Net increase (decrease) | (436,980) | 203,242 | 12,100 | (44,793) | (266,431) |

For More Information

This summary report is derived from detailed financial information generated by the District's Finance Department. If you have any questions or would like additional information on this report, please contact the finance department at (661) 256-3411 or visit www.rosamondcsd.com