

Stallion Springs Community Services District

Stallion Springs, California

Annual Financial Report

For the Year Ended June 30, 2017

**Stallion Springs Community Services District
Annual Financial Report
For the Year Ended June 30, 2017**

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of the Stallion Springs Community Services District
Stallion Springs, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Stallion Springs Community Services District (District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the District, as of June 30, 2017, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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To the Board of Directors
of the Stallion Springs Community Services District
Stallion Springs, California

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 through 8 and the Budgetary Comparison Schedule – General Government Fund, Budgetary Comparison Schedule – Parks and Recreation Fund, Budgetary Comparison Schedule – Public Safety Fund, Budgetary Comparison Schedule – Roads Fund, Schedule of the District's Proportionate Share of the Plan's Net Pension Liability, and the Schedule of the District's Contributions to the Pension Plan on pages 55 through 60, respectively, are presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Santa Ana, California
December 31, 2017



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Independent Auditors' Report

To the Board of Directors
of the Stallion Springs Community Services District
Stallion Springs, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities and each major fund of the Stallion Springs Community Services District (District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprises the District's basic financial statements, and have issued our report thereon dated December 31, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

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To the Board of Directors
of the Stallion Springs Community Services District
Stallion Springs, California

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Santa Ana, California
December 31, 2017

Stallion Springs Community Services District
Management's Discussion and Analysis (Continued)(Unaudited)
For the Year Ended June 30, 2017

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the Stallion Springs Community Services District (District) provides an introduction to the financial statements of the District for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with the basic financial statements and related notes, which follow this section.

Financial Highlights

- The District's net position increased 2.8%, or \$313,134 from the prior year's net position of \$11,112,060 to \$11,425,194, as a result of this year's operations.
- Total revenues from all sources increased by 5.9% or \$153,602 from \$2,580,934 to \$2,734,536, from the prior year, primarily due to an increase in charges for services in the enterprise funds of \$56,296 and an increase in water and sewer capacity fees of \$108,938.
- Total expenses for the District's operations increased by 8.4% or \$187,163 from \$2,234,239 to \$2,421,402, from the prior year, primarily due to an increase of \$101,581 in the water fund expenses, \$49,848 in sewer fund expenses and \$33,606 in expenses in the roads fund.

Using This Financial Report

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities and performance of the District using accounting methods similar to those used by private sector companies. The Statement of Net Position includes all of the District's investments in resources (assets) and 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 Position and Statement of Activities

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Activities report information about the District in a way that helps answer this question. These statements include all assets 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 position* and changes in them. Think of the District's net position – 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 position 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 to assess the *overall health* of the District.

**Stallion Springs Community Services District
Management's Discussion and Analysis (Continued)(Unaudited)
For the Year Ended June 30, 2017**

Governmental Funds 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.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets of the District exceeded liabilities by \$11,425,194 as of June 30, 2017.

Condensed Statement of Net Position

| | Governmental Activities | | Business-Type Activities | | Total | |
|---------------------------------------|-------------------------|---------------|--------------------------|---------------|---------------|---------------|
| | June 30, 2017 | June 30, 2016 | June 30, 2017 | June 30, 2016 | June 30, 2017 | June 30, 2016 |
| Assets: | | | | | | |
| Current assets | \$ 1,911,986 | \$ 1,761,692 | \$ 1,781,932 | \$ 1,664,328 | \$ 3,693,918 | \$ 3,426,020 |
| Non-current assets | 73,657 | 73,657 | 8,000 | 8,000 | 81,657 | 81,657 |
| Capital assets, net | 4,918,143 | 5,010,262 | 3,966,333 | 4,003,378 | 8,884,476 | 9,013,640 |
| Total assets | 6,903,786 | 6,845,611 | 5,756,265 | 5,675,706 | 12,660,051 | 12,521,317 |
| Deferred Outflows of Resources | 187,791 | 69,695 | 45,801 | 15,059 | 233,592 | 84,754 |
| Liabilities: | | | | | | |
| Current liabilities | 56,327 | 124,034 | 156,861 | 155,134 | 213,188 | 279,168 |
| Non-current liabilities | 667,463 | 512,624 | 452,571 | 469,546 | 1,120,034 | 982,170 |
| Total liabilities | 723,790 | 636,658 | 609,432 | 624,680 | 1,333,222 | 1,261,338 |
| Deferred Inflows of Resources | 93,739 | 165,603 | 41,488 | 67,070 | 135,227 | 232,673 |
| Net Position: | | | | | | |
| Net investment in capital assets | 4,991,800 | 5,026,815 | 3,640,742 | 3,602,042 | 8,632,542 | 8,628,857 |
| Unrestricted | 1,282,248 | 1,086,230 | 1,510,404 | 1,396,973 | 2,792,652 | 2,483,203 |
| Total net position | \$ 6,274,048 | \$ 6,113,045 | \$ 5,151,146 | \$ 4,999,015 | \$ 11,425,194 | \$ 11,112,060 |

At the end of fiscal year 2017, the District shows a positive balance in its unrestricted net position of \$2,792,652 that may be utilized in future years.

Stallion Springs Community Services District
Management's Discussion and Analysis (Continued)(Unaudited)
For the Year Ended June 30, 2017

Condensed Statement of Activities

| | Governmental Activities | | Business-Type Activities | | Total | |
|-------------------------------|-------------------------|---------------------|--------------------------|---------------------|----------------------|----------------------|
| | June 30, 2017 | June 30, 2016 | June 30, 2017 | June 30, 2016 | June 30, 2017 | June 30, 2016 |
| Revenues: | | | | | | |
| Program revenues | \$ 619,168 | \$ 697,267 | \$ 1,327,220 | \$ 1,161,986 | \$ 1,946,388 | \$ 1,859,253 |
| General revenues | 769,641 | 714,127 | 18,507 | 7,554 | 788,148 | 721,681 |
| Total revenues | 1,388,809 | 1,411,394 | 1,345,727 | 1,169,540 | 2,734,536 | 2,580,934 |
| Expenses: | | | | | | |
| Operations | 1,096,328 | 1,053,122 | 1,126,842 | 977,286 | 2,223,170 | 2,030,408 |
| Depreciation expense | 129,523 | 127,083 | 52,413 | 53,358 | 181,936 | 180,441 |
| Interest expense | 1,955 | 3,435 | 14,341 | 19,955 | 16,296 | 23,390 |
| Total expenses | 1,227,806 | 1,183,640 | 1,193,596 | 1,050,599 | 2,421,402 | 2,234,239 |
| Change in net position | 161,003 | 227,754 | 152,131 | 118,941 | 313,134 | 346,695 |
| Net Position: | | | | | | |
| Beginning of year | 6,113,045 | 5,885,291 | 4,999,015 | 4,880,074 | 11,112,060 | 10,765,365 |
| End of year | \$ 6,274,048 | \$ 6,113,045 | \$ 5,151,146 | \$ 4,999,015 | \$ 11,425,194 | \$ 11,112,060 |

The statement of activities shows how the government's net position changed during the fiscal year. In the case of the District, net position increased by \$313,134, during the fiscal year ended June 30, 2017.

Governmental Activities

Revenues decreased by 1.6%, or \$(22,585) from \$1,411,394 to \$1,388,809, from the prior year, primarily due to a decrease in special assessment revenue of \$(25,710).

Expenses increased by 3.7% or \$44,166 from \$1,183,640 to \$1,126,842, from the prior year, primarily due to an increase of \$33,606 in road expenses.

Business-Type Activities

Revenues increased by 15.1% or \$176,187 from \$1,169,540 to \$1,327,220, from the prior year, primarily due to an increase in charges for services of \$56,296 and an increase in water and sewer capacity fees of \$108,938.

Expenses increased by 13.6% or \$142,997 from \$1,050,599 to \$1,193,596, from the prior year, primarily due to a increase of \$101,581 in the water fund expenses and \$49,848 in sewer fund expenses.

Governmental Funds Financial Analysis

The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, the *unreserved fund balance* may serve as a useful measure of the government's net resources for spending at the end of the fiscal year.

As of June 30, 2017, the District reported a total fund balance of \$1,888,992. An amount of \$1,186,303 constitutes the District's *unassigned fund balance deficit*.

**Stallion Springs Community Services District
Management's Discussion and Analysis (Continued)(Unaudited)
For the Year Ended June 30, 2017**

Capital Asset Administration

Changes in capital assets for the year were as follows:

| <u>Description</u> | <u>Balance July 1, 2016</u> | <u>Additions/ Transfers</u> | <u>Deletions/ Transfers</u> | <u>Balance June 30, 2017</u> |
|----------------------------------|---------------------------------|---------------------------------|---------------------------------|----------------------------------|
| Non-depreciable capital assets | \$ 81,657 | \$ - | \$ - | \$ 81,657 |
| Depreciable capital assets | 19,251,404 | 52,772 | - | 19,304,176 |
| Total capital assets | 19,333,061 | 52,772 | - | 19,385,833 |
| Accumulated depreciation | (10,237,764) | (181,936) | - | (10,419,700) |
| Total capital assets, net | \$ 9,095,297 | \$ (129,164) | \$ - | \$ 8,966,133 |

At the end of fiscal year 2017, the District's investment in capital assets amounted to \$8,966,133 (net of accumulated depreciation). Major capital asset additions during the year include various equipment and vehicle purchases totaling \$52,772. See note 3 for further information on the District's capital assets.

Debt Administration

Changes in long-term debt for the year were as follows:

Notes Payable

| <u>Description</u> | <u>Balance July 1, 2016</u> | <u>Additions</u> | <u>Principal Payments</u> | <u>Balance June 30, 2017</u> |
|--------------------|---------------------------------|------------------|-------------------------------|----------------------------------|
| Notes payable | \$ 466,440 | \$ - | \$ (132,849) | \$ 333,591 |

See further detail at note 5.

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 position or operating results in terms of past, present and future.

Requests for Information

The District's basic financial statements are designed to present users with a general overview of the District's finances and to demonstrate the District's accountability. If you have any questions about the report or need additional information, please contact the District's General Manager at the Stallion Springs Community Services District, 27800 Stallion Springs Drive, Stallion Springs, California 93561 or (661) 822-3268.

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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Stallion Springs Community Services District
Statement of Net Position
June 30, 2017

| <u>ASSETS</u> | <u>Primary Government</u> | | |
|--|------------------------------------|-------------------------------------|----------------------|
| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total</u> |
| Current assets: | | | |
| Cash and investments (note 2) | \$ 1,895,265 | \$ 1,603,848 | \$ 3,499,113 |
| Accrued interest receivable | 3,122 | 287 | 3,409 |
| Accounts receivable – services | 2,180 | 176,726 | 178,906 |
| Property taxes and assessments receivable | 11,419 | 1,071 | 12,490 |
| Total current assets | 1,911,986 | 1,781,932 | 3,693,918 |
| Non-current assets: | | | |
| Capital assets – not being depreciated (note 3) | 73,657 | 8,000 | 81,657 |
| Capital assets – being depreciated, net (note 3) | 4,918,143 | 3,966,333 | 8,884,476 |
| Total non-current assets | 4,991,800 | 3,974,333 | 8,966,133 |
| Total assets | 6,903,786 | 5,756,265 | 12,660,051 |
| <u>DEFERRED OUTFLOWS OF RESOURCES</u> | | | |
| Deferred amounts related to net pension liability (Note 6) | 187,791 | 45,801 | 233,592 |
| Total deferred outflows of resources | 187,791 | 45,801 | 233,592 |
| <u>LIABILITIES</u> | | | |
| Current liabilities: | | | |
| Accounts payable and accrued expenses | 22,994 | 62,175 | 85,169 |
| Accrued interest payable | - | 3,068 | 3,068 |
| Compensated absences (note 4) | 33,333 | 12,928 | 46,261 |
| Notes payable (note 5) | - | 78,690 | 78,690 |
| Total current liabilities | 56,327 | 156,861 | 213,188 |
| Non-current liabilities: | | | |
| Compensated absences (note 4) | 50,000 | 19,391 | 69,391 |
| Notes payable (note 5) | - | 254,901 | 254,901 |
| Net pension liability (note 6) | 617,463 | 178,279 | 795,742 |
| Total non-current liabilities | 667,463 | 452,571 | 1,120,034 |
| Total liabilities | 723,790 | 609,432 | 1,333,222 |
| <u>DEFERRED INFLOWS OF RESOURCES</u> | | | |
| Deferred amounts related to net pension liability (Note 6) | 93,739 | 41,488 | 135,227 |
| Total deferred inflows of resources | 93,739 | 41,488 | 135,227 |
| <u>NET POSITION</u> | | | |
| Net investment in capital assets (note 7) | 4,991,800 | 3,640,742 | 8,632,542 |
| Unrestricted | 1,282,248 | 1,510,404 | 2,792,652 |
| Total net position | \$ 6,274,048 | \$ 5,151,146 | \$ 11,425,194 |

Stallion Springs Services District
Statement of Activities
For the Year Ended June 30, 2017

| Functions/Programs | Expenses | Program Revenues | |
|---------------------------------------|---------------------|----------------------|------------------------------|
| | | Charges for Services | Capital and Operating Grants |
| Primary government: | | | |
| Governmental activities: | | | |
| General government | \$ 113,586 | \$ 30,589 | \$ - |
| Parks and recreation | 246,512 | 94,920 | - |
| Public safety | 611,703 | 15,214 | 139,056 |
| Roads | 256,005 | 339,389 | - |
| Total governmental activities | <u>1,227,806</u> | <u>480,112</u> | <u>139,056</u> |
| Business-type activities: | | | |
| Water | 833,429 | 719,125 | 154,503 |
| Sewer | 243,709 | 266,267 | 24,135 |
| Solid waste | 116,458 | 163,190 | - |
| Total business-type activities | <u>1,193,596</u> | <u>1,148,582</u> | <u>178,638</u> |
| Total primary government | <u>\$ 2,421,402</u> | <u>\$ 1,628,694</u> | <u>\$ 317,694</u> |

Stallion Springs Services District
Statement of Activities (Continued)
For the Year Ended June 30, 2017

| Functions/Programs | Net (Expense) Revenue and Changes in Net Position | | |
|---------------------------------------|--|-----------------------------|----------------------|
| | Governmental Activities | Business-Type Activities | Total |
| Primary government: | | | |
| Governmental activities: | | | |
| General government | \$ (82,997) | \$ - | \$ (82,997) |
| Parks and recreation | (151,592) | - | (151,592) |
| Public safety | (457,433) | - | (457,433) |
| Roads | 83,384 | - | 83,384 |
| Total governmental activities | (608,638) | - | (608,638) |
| Business-type activities: | | | |
| Water | - | 40,199 | 40,199 |
| Sewer | - | 46,693 | 46,693 |
| Solid waste | - | 46,732 | 46,732 |
| Total business-type activities | - | 133,624 | 133,624 |
| Total primary government | (608,638) | 133,624 | (475,014) |
| General revenues: | | | |
| Property taxes | 755,483 | - | 755,483 |
| Investment earnings | 14,158 | 18,507 | 32,665 |
| Total general revenues | 769,641 | 18,507 | 788,148 |
| Change in net position | 161,003 | 152,131 | 313,134 |
| Net position: | | | |
| Beginning of year | 6,113,045 | 4,999,015 | 11,112,060 |
| End of year | \$ 6,274,048 | \$ 5,151,146 | \$ 11,425,194 |

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GOVERNMENTAL FUND FINANCIAL STATEMENTS

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Stallion Springs Community Services District
Balance Sheets
Governmental Funds
June 30, 2017

| <u>ASSETS</u> | <u>General Government</u> | <u>Parks and Recreation</u> | <u>Public Safety</u> | <u>Roads</u> | <u>Total Governmental Funds</u> |
|--|-------------------------------|---------------------------------|--------------------------|-------------------|---|
| Assets: | | | | | |
| Cash and investments | \$ 1,202,638 | \$ 107,320 | \$ 22,514 | \$ 562,793 | \$ 1,895,265 |
| Accrued interest receivable | 1,776 | - | 390 | 956 | 3,122 |
| Accounts receivable – services | 1,465 | 715 | - | - | 2,180 |
| Property taxes and assessments receivable | 1,584 | - | 4,869 | 4,966 | 11,419 |
| Total assets | \$ 1,207,463 | \$ 108,035 | \$ 27,773 | \$ 568,715 | \$ 1,911,986 |
| <u>LIABILITIES AND FUND BALANCE</u> | | | | | |
| Liabilities: | | | | | |
| Accounts payable and accrued expenses | \$ 5,598 | \$ 6,663 | \$ 9,476 | \$ 1,257 | \$ 22,994 |
| Total liabilities | 5,598 | 6,663 | 9,476 | 1,257 | 22,994 |
| Fund balance: (note 8) | | | | | |
| Restricted | - | - | - | 567,458 | 567,458 |
| Committed | 15,562 | 197 | 57,574 | - | 73,333 |
| Assigned | - | 101,175 | (39,277) | - | 61,898 |
| Unassigned | 1,186,303 | - | - | - | 1,186,303 |
| Total fund balance | 1,201,865 | 101,372 | 18,297 | 567,458 | 1,888,992 |
| Total liabilities and fund balance | \$ 1,207,463 | \$ 108,035 | \$ 27,773 | \$ 568,715 | \$ 1,911,986 |

Stallion Springs Community Services District
Reconciliation of the Balance Sheet of Governmental Funds to the
Government-Wide Statement of Net Position
June 30, 2017

| | |
|--|----------------------------|
| Total Fund Balances – Total Governmental Funds | <u>\$ 1,888,992</u> |
| Amounts reported for governmental activities in the statement of net position are different because: | |
| Capitalized 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 position includes those assets as capital assets. | 4,991,800 |
| Deferred outflows of resources 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 position includes those deferred outflows of resources. | 187,791 |
| Long-term liabilities applicable to the District are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities' both current and long-term, are reported in the statement of net position as follows: | |
| Compensated absences | (83,333) |
| Notes payable | - |
| Net pension liability | (617,463) |
| Deferred inflows of resources 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 position includes those deferred inflows of resources. | <u>(93,739)</u> |
| Total adjustments | <u>4,385,056</u> |
| Net Position of Governmental Activities | <u><u>\$ 6,274,048</u></u> |

Stallion Springs Community Services District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2017

| | <u>General Government</u> | <u>Parks and Recreation</u> | <u>Public Safety</u> | <u>Roads</u> | <u>Total Governmental Funds</u> |
|--|-------------------------------|---------------------------------|--------------------------|-------------------|---|
| Revenues: | | | | | |
| Property taxes | \$ 135,614 | \$ 105,000 | \$ 514,869 | \$ - | \$ 755,483 |
| Special assessments | 5,012 | - | 121 | 339,389 | 344,522 |
| Charges for services | 25,577 | 94,920 | 15,093 | - | 135,590 |
| Federal and state aid | - | - | 139,056 | - | 139,056 |
| Investment earnings | 7,675 | 50 | 205 | 6,228 | 14,158 |
| Total revenues | <u>173,878</u> | <u>199,970</u> | <u>669,344</u> | <u>345,617</u> | <u>1,388,809</u> |
| Expenditures: | | | | | |
| Current: | | | | | |
| Salaries and benefits | 72,972 | 109,746 | 508,997 | 107,050 | 798,765 |
| Materials and services | 28,361 | 88,744 | 83,395 | 89,933 | 290,433 |
| Capital outlay | 14,720 | - | - | 22,684 | 37,404 |
| Debt service: | | | | | |
| Principal | - | - | 57,104 | - | 57,104 |
| Interest | - | - | 1,955 | - | 1,955 |
| Total expenditures | <u>116,053</u> | <u>198,490</u> | <u>651,451</u> | <u>219,667</u> | <u>1,185,661</u> |
| Excess of revenues over(under) expenditures | 57,825 | 1,480 | 17,893 | 125,950 | 203,148 |
| Other financing sources(uses): | | | | | |
| Transfers in/(out) | (8,331) | - | 8,331 | - | - |
| Change in fund balance | 49,494 | 1,480 | 26,224 | 125,950 | 203,148 |
| Fund balances: | | | | | |
| Beginning of year | 1,152,371 | 99,892 | (7,927) | 441,508 | 1,685,844 |
| End of year | <u>\$ 1,201,865</u> | <u>\$ 101,372</u> | <u>\$ 18,297</u> | <u>\$ 567,458</u> | <u>\$ 1,888,992</u> |

Stallion Springs Community Services District
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balance of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2017

| | |
|--|--------------------------|
| Net Changes in Fund Balance – Total Governmental Funds | <u>\$ 203,148</u> |
| Amounts reported for governmental activities in the statement of activities is different because: | |
| Some expenses reported in the statement of activities do not require the use of current financial resources. Therefore, those expenses are not reported as expenditures in governmental funds as follows: | |
| Net change in compensated absences | (7,953) |
| Net change in pension expense | 823 |
| Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those capitalized assets is allocated over their estimated useful lives as depreciation expense. | |
| Capital outlay | 37,404 |
| Depreciation expense | (129,523) |
| Repayment of long-term debt is reported as an expenditure in governmental funds. However, principal repayments reduce liabilities in the statement of net position and do not result in expenses in the | <u>57,104</u> |
| Total adjustments | <u>(42,145)</u> |
| Change in Net Position of Governmental Activities | <u><u>\$ 161,003</u></u> |

PROPRIETARY FUND FINANCIAL STATEMENTS

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Stallion Springs Community Services District
Balance Sheet
Proprietary Funds
June 30, 2017

| <u>ASSETS</u> | <u>Water Operations</u> | <u>Sewer Operations</u> | <u>Solid Waste Operations</u> | <u>Total</u> |
|--|-----------------------------|-----------------------------|-----------------------------------|---------------------|
| Current assets: | | | | |
| Cash and investments | \$ 1,028,398 | \$ 224,224 | \$ 351,226 | \$ 1,603,848 |
| Accrued interest receivable | 258 | 29 | - | 287 |
| Accounts receivable – services | 111,323 | 40,463 | 24,940 | 176,726 |
| Property assessments receivable | 998 | 73 | - | 1,071 |
| Total current assets | <u>1,140,977</u> | <u>264,789</u> | <u>376,166</u> | <u>1,781,932</u> |
| Non-current assets: | | | | |
| Capital assets – not being depreciated | 8,000 | - | - | 8,000 |
| Capital assets – being depreciated, net | 3,686,680 | 256,892 | 22,761 | 3,966,333 |
| Total non-current assets | <u>3,694,680</u> | <u>256,892</u> | <u>22,761</u> | <u>3,974,333</u> |
| Total assets | <u>4,835,657</u> | <u>521,681</u> | <u>398,927</u> | <u>5,756,265</u> |
| <u>DEFERRED OUTFLOWS OF RESOURCES</u> | | | | |
| Deferred amounts related to net pension liability | 26,336 | 19,465 | - | 45,801 |
| Total deferred outflows of resources | <u>26,336</u> | <u>19,465</u> | <u>-</u> | <u>45,801</u> |
| Total assets and deferred outflows of resources | <u>\$ 4,861,993</u> | <u>\$ 541,146</u> | <u>\$ 398,927</u> | <u>\$ 5,802,066</u> |
| <u>LIABILITIES</u> | | | | |
| Current liabilities: | | | | |
| Accounts payable and accrued expenses | \$ 48,470 | \$ 12,916 | \$ 789 | \$ 62,175 |
| Accrued interest payable | 3,068 | - | - | 3,068 |
| Compensated absences | 10,741 | 2,186 | - | 12,927 |
| Notes payable | 78,690 | - | - | 78,690 |
| Total current liabilities | <u>140,969</u> | <u>15,102</u> | <u>789</u> | <u>156,860</u> |
| Non-current liabilities: | | | | |
| Compensated absences | 16,112 | 3,280 | - | 19,392 |
| Notes payable | 254,901 | - | - | 254,901 |
| Net pension liability | 102,511 | 75,768 | - | 178,279 |
| Total non-current liabilities | <u>373,524</u> | <u>79,048</u> | <u>-</u> | <u>452,572</u> |
| Total liabilities | <u>514,493</u> | <u>94,150</u> | <u>789</u> | <u>609,432</u> |
| <u>DEFERRED INFLOWS OF RESOURCES</u> | | | | |
| Deferred amounts related to net pension liability | 23,856 | 17,632 | - | 41,488 |
| Total deferred inflows of resources | <u>23,856</u> | <u>17,632</u> | <u>-</u> | <u>41,488</u> |
| <u>NET POSITION</u> | | | | |
| Net investment in capital assets | 3,361,089 | 256,892 | 22,761 | 3,640,742 |
| Unrestricted | 962,555 | 172,472 | 375,377 | 1,510,404 |
| Total net position | <u>4,323,644</u> | <u>429,364</u> | <u>398,138</u> | <u>5,151,146</u> |
| Total liabilities, deferred inflows of resources and net position | <u>\$ 4,861,993</u> | <u>\$ 541,146</u> | <u>\$ 398,927</u> | <u>\$ 5,802,066</u> |

Stallion Springs Community Services District
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2017

| | <u>Water Operations</u> | <u>Sewer Operations</u> | <u>Solid Waste Operations</u> | <u>Total</u> |
|---|-----------------------------|-----------------------------|-----------------------------------|---------------------|
| Operating revenues: | | | | |
| Water consumption sales | \$ 615,308 | \$ - | \$ - | \$ 615,308 |
| Sewer service charges | - | 254,916 | - | 254,916 |
| Solid waste collection charges | - | - | 163,190 | 163,190 |
| Special assessments | 85,453 | 8,698 | - | 94,151 |
| Other charges for services | 18,364 | 2,653 | - | 21,017 |
| Total operating revenues | <u>719,125</u> | <u>266,267</u> | <u>163,190</u> | <u>1,148,582</u> |
| Operating expenses: | | | | |
| Operations | 783,118 | 232,957 | 110,767 | 1,126,842 |
| Total operating expenses | <u>783,118</u> | <u>232,957</u> | <u>110,767</u> | <u>1,126,842</u> |
| Operating income before depreciation | (63,993) | 33,310 | 52,423 | 21,740 |
| Depreciation expense | <u>(35,970)</u> | <u>(10,752)</u> | <u>(5,691)</u> | <u>(52,413)</u> |
| Operating income(loss) | <u>(99,963)</u> | <u>22,558</u> | <u>46,732</u> | <u>(30,673)</u> |
| Non-operating revenue(expense): | | | | |
| Investment earnings | 14,128 | 2,624 | 1,755 | 18,507 |
| Interest expense | (14,341) | - | - | (14,341) |
| Total non-operating, net | <u>(213)</u> | <u>2,624</u> | <u>1,755</u> | <u>4,166</u> |
| Capital contributions: | | | | |
| Connection fees | 154,503 | 24,135 | - | 178,638 |
| Total capital contributions | <u>154,503</u> | <u>24,135</u> | <u>-</u> | <u>178,638</u> |
| Change in net position | <u>54,327</u> | <u>49,317</u> | <u>48,487</u> | <u>152,131</u> |
| Net position: | | | | |
| Beginning of year | 4,269,317 | 380,047 | 349,651 | 4,999,015 |
| End of year | <u>\$ 4,323,644</u> | <u>\$ 429,364</u> | <u>\$ 398,138</u> | <u>\$ 5,151,146</u> |

Stallion Springs Community Services District
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2017

| | <u>Water Operations</u> | <u>Sewer Operations</u> | <u>Solid Waste Operations</u> | <u>Total</u> |
|--|-----------------------------|-----------------------------|-----------------------------------|---------------------|
| Cash flows from operating activities: | | | | |
| Cash receipts from customers and others | \$ 724,827 | \$ 267,403 | \$ 162,625 | \$ 1,154,855 |
| Cash paid to employees for salaries and benefits | (435,431) | (103,991) | (21,752) | (561,174) |
| Cash paid to vendors and suppliers | (342,153) | (121,540) | (97,106) | (560,799) |
| Net cash provided by (used in) operating activities | <u>(52,757)</u> | <u>41,872</u> | <u>43,767</u> | <u>32,882</u> |
| Cash flows from capital and related financing activities: | | | | |
| Acquisition and construction of capital assets | - | (15,368) | - | (15,368) |
| Proceeds from capital contributions | 154,503 | 24,135 | - | 178,638 |
| Principal payments on notes payable | (75,745) | - | - | (75,745) |
| Interest payments on notes payable | (15,037) | - | - | (15,037) |
| Net cash provided by capital/financing activities | <u>63,721</u> | <u>8,767</u> | <u>-</u> | <u>72,488</u> |
| Cash flows from investing activities: | | | | |
| Investment earnings | 13,871 | 2,595 | 1,755 | 18,221 |
| Net cash provided by investing activities | <u>13,871</u> | <u>2,595</u> | <u>1,755</u> | <u>18,221</u> |
| Net increase(decrease) in cash | 24,835 | 53,234 | 45,522 | 123,591 |
| Cash and cash equivalents: | | | | |
| Beginning of year | 1,003,563 | 170,990 | 305,704 | 1,480,257 |
| End of year | <u>\$ 1,028,398</u> | <u>\$ 224,224</u> | <u>\$ 351,226</u> | <u>\$ 1,603,848</u> |
| Reconciliation of operating income to net cash provided by operating activities: | | | | |
| Operating income(loss) | <u>\$ (99,963)</u> | <u>\$ 22,558</u> | <u>\$ 46,732</u> | <u>\$ (30,673)</u> |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | | |
| Depreciation expense | 35,970 | 10,752 | 5,691 | 52,413 |
| Changes in account balances: | | | | |
| (Increase)decrease in assets: | | | | |
| Accounts receivable – services, net | 5,876 | 1,200 | (565) | 6,511 |
| Property assessments receivable | (174) | (64) | - | (238) |
| (Increase)decrease in deferred outflows | (17,677) | (13,065) | - | (30,742) |
| Increase(decrease) in liabilities: | | | | |
| Accounts payable and accrued expenses | 1,189 | 2,282 | (8,091) | (4,620) |
| Compensated absences | 4,778 | 5,466 | - | 10,244 |
| Net pension liability | 31,953 | 23,616 | - | 55,569 |
| Increase(decrease) in deferred inflows | (14,709) | (10,873) | - | (25,582) |
| Total adjustments | <u>47,206</u> | <u>19,314</u> | <u>(2,965)</u> | <u>63,555</u> |
| Net cash provided by (used in) operating activities | <u>\$ (52,757)</u> | <u>\$ 41,872</u> | <u>\$ 43,767</u> | <u>\$ 32,882</u> |

Stallion Springs Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 1 – Reporting Entity and Summary of Significant Accounting Policies

Organization and Operations of the Reporting Entity

The Stallion Springs Community Services District (District) serves as the local government for Stallion Springs. The District is similar to a city government, supplying such services as police protection, parks and recreation, potable water, road maintenance, wastewater treatment, and solid waste disposal. 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 Stallion Springs. 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. 61, *The Financial Reporting Entity*. 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 for a component that has substantively the same governing body as the District's governing body, and additionally (1) the primary government and the component unit have a financial benefit or burden relationship or (2) management (below the level of the elected officials) of the primary government have operational responsibility for the activities of the component unit.

Basis of Accounting and Measurement Focus

The District's financial statements are prepared in conformity with U.S. GAAP. The Governmental Accounting Standards Board (GASB) is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States.

Government-Wide Financial Statements

The government-wide financial statements are reported using the “*economic resources*” measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all the activities of the primary government. The effect of inter-fund activity has been removed from these statements and eliminations have been made to minimize the double counting of internal activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of net position reports separate sections for deferred outflows of resources, and deferred inflows of resources, when applicable.

Deferred Outflows of Resources represent outflows of resources (consumption of net position) that apply to future periods and that, therefore, will not be recognized as an expense until that time.

Deferred Inflows of Resources represent inflows of resources (acquisition of net position) that apply to future periods and that, therefore, are not recognized as a revenue until that time.

Stallion Springs Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Basis of Accounting and Measurement Focus (Continued)

Government-Wide Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and the major individual enterprise funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the “*current financial resources*” measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers tax revenues to be available if they are collected within 60 days of the end of the current fiscal year and other revenues when collected within one year of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due. The primary revenue sources susceptible to accrual are property taxes, charges for services, and interests associated with the current fiscal period and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The District reports the following major funds:

Governmental Funds

General Government – This fund acts as the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Parks and Recreation – This fund is used to account for the revenues received and expenditures incurred to operate the community center and recreation programs of the District.

Public Safety – This fund is used to account for all public safety (police services) within the District’s service area.

Roads – This fund is used to account for the revenues received from property assessments and expenditures incurred to maintain and operate the roads within the District’s service area.

Enterprise Funds

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

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

Solid Waste – This fund accounts for the solid waste collection and disposal operations of the District.

Stallion Springs Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP 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 District net position during the reporting period. Actual results could differ from those estimates.

Investments

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

U.S. GAAP, defines fair value, establishes a framework for measuring fair value and establishes disclosures about fair value measurement. Investments, unless otherwise specified, recorded at fair value in the balance sheet, are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Levels of inputs are as follows:

Level 1 – Inputs are unadjusted, quoted prices for identical assets or liabilities in active markets at the measurement date.

Level 2 – Inputs, other than quoted prices included in Level 1 that are observable for the assets or liabilities through corroboration with market data at the measurement date.

Level 3 – Unobservable inputs that reflect management’s best estimate of what market participants would use in pricing the assets or liabilities at the measurement date.

Accounts Receivable – Services

The District extends credit to customers in the normal course of operations. Management reviews all accounts receivable as collectible and has not recorded an allowance for doubtful accounts.

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 |

Stallion Springs Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Capital Assets

Capital assets are recorded in the government-wide financial statements. Included in capital assets is equipment used at the District. 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. Capital outlay is recorded as expenditures of the General Fund and as assets in the government-wide financial statements to the extent the District's capitalization threshold is met. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

| | |
|---------------------------------------|----------------|
| Building and improvements | 20 to 30 years |
| Community center | 40 years |
| Infrastructure, streets and roads | 20 to 40 years |
| Transmission and distribution systems | 10 to 40 years |
| Collection systems | 10 to 50 years |
| Vehicles and equipment | 3 to 10 years |

Compensated Absences

District policy permits its employees to accumulate earned vacation and sick pay for subsequent use or for payment upon termination or retirement.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plans and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value. The following timeframes are used for pension reporting:

CalPERS

| | |
|--------------------|-------------------------------|
| Valuation Date | June 30, 2015 |
| Measurement Date | June 30, 2016 |
| Measurement Period | July 1, 2015 to June 30, 2016 |

Gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized straight-line over 5 years. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

Stallion Springs Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Net Position

Net position is categorized as follows:

Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation and reduced by any outstanding debt outstanding against the acquisition, construction or improvement of those assets.

Restricted – This component of net position consists of constraints placed on net position use through external constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. The District has no restricted net position as of June 30, 2017.

Unrestricted – This component of net position consists of net amount of assets that are not included in the determination of *restricted* or *net investment in capital assets*.

Fund Balance

The financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned or unassigned based primarily on the extent to which the District is bound to honor constraints on how specific amounts can be spent.

Nonspendable – amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact.

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

Committed – amounts that can only be used for specific purposes determined by formal action of the District’s highest level of decision-making authority (the Board of Directors) and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.

Assigned – amounts that are constrained by the District’s intent to be used for specific purposes. The intent can be established at either the highest level of decision-making, or by a body or an official designated for that purpose.

Unassigned – the residual classification for the District’s general fund that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

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

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

Stallion Springs Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Fund Balance Policy

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

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

Note 2 – Cash and Investments

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

| Description | Balance |
|---|---------------------|
| Cash on hand | \$ 900 |
| Demand deposits with financial institutions | 313,631 |
| Investments | 3,184,582 |
| Total cash and investments | \$ 3,499,113 |

Demand Deposits

At June 30, 2017, the carrying amount of the District’s demand deposits was \$313,631 and the financial institution balance was \$344,165. The \$30,534 respective net difference as of June 30, 2017 represents outstanding checks, deposits-in-transit and/or other reconciling items.

The California Government Code requires California banks and savings and loan associations to secure an entity's deposits by pledging government securities with a value of 110% of an entity's deposits. California law also allows financial institutions to secure entity deposits by pledging first trust deed mortgage notes having a value of 150% of an entity's total deposits. The entity's Treasurer may waive the collateral requirement for deposits which are fully insured up to \$250,000 by the FDIC.

The collateral for deposits in federal and state chartered banks is held in safekeeping by an authorized agent of depository recognized by the State of California Department of Banking. The collateral for deposits with savings and loan associations is generally held in safekeeping by the Federal Home Loan Bank in San Francisco, California as an agent of depository. These securities are physically held in an undivided pool for all California public agency depositors. Under Government Code Section 53655, the placement of securities by a bank or savings and loan association with an agent of depositor has the effect of perfecting the security interest in the name of the local governmental agency. Accordingly, all collateral held by California agents of depository are considered to be held for, and in the name of, the local government.

Stallion Springs Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 2 – Cash and Investments (Continued)

Custodial Credit Risk

The 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 deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District’s investment policy requires that collateral be held by an independent third party with whom the District has a current custodial agreement.

The custodial credit risk for *investments* is the risk that in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The District’s investment policy requires that all security transactions are conducted on a delivery-versus-payment (DVP) method and that all securities are held by a qualified, third-party custodian, as evidenced by safekeeping receipts. The trust department of the District’s bank may act as third-party custodian, provided that the custodian agreement is separate from the banking agreement. 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 (such as KCTIP).

As of June 30, 2017 and 2016 none of the District’s deposits and investments was exposed to disclosable custodial credit risk.

Investments

The District’s investments as of June 30, 2017 were as follows:

| <u>Type of Investments</u> | <u>Measurement Focus</u> | <u>Credit Rating</u> | <u>June 30, 2017 Fair Value</u> | <u>Maturity 12 Months or Less</u> |
|--------------------------------------|--------------------------|----------------------|---------------------------------|-----------------------------------|
| Kern County Treasury Investment Pool | Level 2 | AAA-bf | \$ 3,184,582 | \$ 3,184,582 |
| Total investments | | | <u>\$ 3,184,582</u> | <u>\$ 3,184,582</u> |

Authorized Investments and Investment Policy

The District has adopted an investment policy directing the Fiscal Officer to deposit funds in financial institutions.

Investments are to be made in the following areas:

External Investment Pools:

- Kern County Treasury Investment Pool (KCTIP)
- Money market funds

Stallion Springs Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 2 – Cash and Investments (Continued)

Investment with County of Kern Treasury Investment Pool

The District is a voluntary participant in the Kern County Treasury Investment Pool (KCTIP) pursuant to Government Code Section 53694. The cash flow needs of participants are monitored daily to ensure that sufficient liquidity is maintained to meet the needs of those participants. At the time deposits are made, the Kern County Investment Pool's Treasurer may require the depositing entity to provide annual cash flow projections or an anticipated withdrawal schedule for deposits in excess of \$1 million. Projections are performed no less than semi-annually. In accordance with Government Code Section 27136, all request for withdrawal of funds for the purpose of investing or deposits the funds elsewhere shall be evaluated to ensure the proposed withdrawal will not adversely affect the principal deposits of the other participants. Pool detail may be obtained from the County of Kern Treasurer's Office – 1115 Truxtun Avenue, 2nd Floor, Bakersfield, CA 93301 or the Treasurer and Tax Collector's office website at www.kcttc.co.kern.ca.us.

The Kern County Treasurer has indicated to the District that as of June 30, 2017 the value of the County's portfolio approximated \$3.2 billion and the portfolio holds no derivative products. The District's investment with the Kern County Treasurer's Office as of June 30, 2017 was \$3,184,582. KCTIP's fair value factor of 0.99864% as of June 30, 2017 was used to calculate the fair value of the investments in the KCTIP.

Fair Value Measurement Input

The District categorizes its fair value measurement inputs within the fair value hierarchy established by generally accepted accounting principles. The District has presented its measurement inputs as noted in the table above.

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. As of June 30, 2017, the District's investment in the KCTIP was rated AAA-bf as noted in the table above.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the fair values of investments with longer maturities have greater 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. The District has elected to use the segmented time distribution method of disclosure for the maturities of its investments as related to interest rate risk as noted in the table above.

Concentration of Credit Risk

The District's investment policy contains no limitations on the amount that can be invested in any one governmental agency or non-governmental issuer beyond that stipulated by the California Government Code. There were no investments in any one governmental or non-governmental issuer that represented 5% or more of the District's total investments except for those in KCTIP.

Stallion Springs Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 3 – Capital Assets

Governmental Funds

| | <u>Balance July 1, 2016</u> | <u>Additions</u> | <u>Deletions/ Transfers</u> | <u>Balance June 30, 2017</u> |
|-----------------------------------|---------------------------------|--------------------|---------------------------------|----------------------------------|
| Non-depreciable assets: | | | | |
| Land | \$ 73,657 | \$ - | \$ - | \$ 73,657 |
| Total non-depreciable assets | <u>73,657</u> | <u>-</u> | <u>-</u> | <u>73,657</u> |
| Depreciable assets: | | | | |
| Buildings and improvements | 1,149,334 | - | - | 1,149,334 |
| Community center | 2,038,062 | - | - | 2,038,062 |
| Infrastructure, streets and roads | 7,037,204 | 9,160 | - | 7,046,364 |
| Vehicles and equipment | <u>870,202</u> | <u>28,244</u> | <u>-</u> | <u>898,446</u> |
| Total depreciable assets | <u>11,094,802</u> | <u>37,404</u> | <u>-</u> | <u>11,132,206</u> |
| Accumulated depreciation: | | | | |
| Buildings and improvements | (126,592) | (20,048) | - | (146,640) |
| Community center | (392,979) | (49,139) | - | (442,118) |
| Infrastructure, streets and roads | (4,930,158) | (50,035) | - | (4,980,193) |
| Vehicles and equipment | <u>(634,811)</u> | <u>(10,301)</u> | <u>-</u> | <u>(645,112)</u> |
| Total accumulated depreciation | <u>(6,084,540)</u> | <u>(129,523)</u> | <u>-</u> | <u>(6,214,063)</u> |
| Total depreciable assets, net | <u>5,010,262</u> | <u>(92,119)</u> | <u>-</u> | <u>4,918,143</u> |
| Total capital assets, net | <u>\$ 5,083,919</u> | <u>\$ (92,119)</u> | <u>\$ -</u> | <u>\$ 4,991,800</u> |

Depreciation expense under governmental activities was allotted as follows for the year ended June 30, 2017:

| <u>Depreciation Expense per Fund</u> | |
|--------------------------------------|-------------------|
| General government | \$ 10,956 |
| Parks and recreation | 49,139 |
| Public safety | 9,092 |
| Roads | <u>60,336</u> |
| Total | <u>\$ 129,523</u> |

Stallion Springs Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 3 – Capital Assets (Continued)

Proprietary Funds

| | <u>Balance July 1, 2016</u> | <u>Additions</u> | <u>Deletions/ Transfers</u> | <u>Balance June 30, 2017</u> |
|-------------------------------------|---------------------------------|--------------------|---------------------------------|----------------------------------|
| Non-depreciable assets: | | | | |
| Land | \$ 8,000 | \$ - | \$ - | \$ 8,000 |
| Total non-depreciable assets | <u>8,000</u> | <u>-</u> | <u>-</u> | <u>8,000</u> |
| Depreciable assets: | | | | |
| Water transmission and distribution | 6,612,282 | - | - | 6,612,282 |
| Wastewater collection | 1,276,495 | 15,368 | - | 1,291,863 |
| Solid waste collection | 89,783 | - | - | 89,783 |
| Vehicles and equipment | 178,042 | - | - | 178,042 |
| Total depreciable assets | <u>8,156,602</u> | <u>15,368</u> | <u>-</u> | <u>8,171,970</u> |
| Accumulated depreciation: | | | | |
| Water transmission and distribution | (2,969,216) | (31,529) | - | (3,000,745) |
| Wastewater collection | (1,022,136) | (10,752) | - | (1,032,888) |
| Solid waste collection | (89,783) | - | - | (89,783) |
| Vehicles and equipment | (72,089) | (10,132) | - | (82,221) |
| Total accumulated depreciation | <u>(4,153,224)</u> | <u>(52,413)</u> | <u>-</u> | <u>(4,205,637)</u> |
| Total depreciable assets, net | <u>4,003,378</u> | <u>(37,045)</u> | <u>-</u> | <u>3,966,333</u> |
| Total capital assets, net | <u>\$ 4,011,378</u> | <u>\$ (37,045)</u> | <u>\$ -</u> | <u>\$ 3,974,333</u> |

Stallion Springs Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 4 – Compensated Absences

Compensated absences comprise unpaid vacation leave, sick leave and compensating time off which is accrued as earned. The District’s liability for compensated absences is determined annually. Years of service: 0-5 years = 2 weeks, 6-10 years = 3 weeks, more than 10 years = 4 weeks.

- 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 reasonable estimated.

The changes to the compensated absences balance at June 30, 2017 were as follows:

| <u>Balance July 1, 2016</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance June 30, 2017</u> | <u>Current Portion</u> | <u>Long-term Portion</u> |
|---------------------------------|------------------|------------------|----------------------------------|----------------------------|------------------------------|
| \$ 97,455 | \$ 42,224 | \$ (24,027) | \$ 115,652 | \$ 46,261 | \$ 69,391 |

Note 5 – Notes Payable

Changes in the notes payable amounts for the year ended June 30, 2017 were as follows:

| | <u>Balance July 1, 2016</u> | <u>Additions</u> | <u>Payments</u> | <u>Balance June 30, 2017</u> |
|---|---------------------------------|------------------|-----------------|----------------------------------|
| <i>Governmental-activities:</i> | | | | |
| Public safety: | | | | |
| Vehicles note | \$ 57,104 | \$ - | \$ (57,104) | \$ - |
| <i>Business-type activities:</i> | | | | |
| Water fund: | | | | |
| Water tank and pipeline note | 409,336 | - | (75,745) | 333,591 |
| Total | 466,440 | \$ - | \$ (132,849) | 333,591 |
| Less: current portion due | (93,779) | | | (78,690) |
| Long-term portion due | \$ 372,661 | | | \$ 254,901 |

Stallion Springs Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 5 – Notes Payable (Continued)

Governmental Activities

Public Safety Vehicles – Note Payable

In 2017, the District obtained a \$78,250 note to purchase public safety vehicles. The note is scheduled to mature in fiscal year 2019. Principal and interest annual installments of \$21,146 are payable on June 30th each fiscal year at a rate of 5.45%. In 2017, the District paid \$57,104 in principal and \$1,955 in interest to pay-off the note.

Business-Type Activities

Water Tank and Pipeline – Note Payable

In 2006, the District obtained a \$1,000,000 note with City National Bank in order to complete the construction of a water tank and pipeline. The note is scheduled to mature in fiscal year 2021. Principal and interest semi-annual installments of \$47,301 are payable on October 4th and April 4th each year at a rate of 4.85%. In 2013, the District negotiated and interest percentage reduction from a rate of 4.85% to 3.85% per annum with the lender. This interest rate reduction achieved an economic gain of \$34,381 in interest expense savings. Annual debt service requirements on the note are as follows:

| <u>Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---------------|-------------------|------------------|-------------------|
| 2018 | \$ 78,690 | \$ 12,092 | \$ 90,782 |
| 2019 | 81,748 | 9,034 | 90,782 |
| 2020 | 84,926 | 5,856 | 90,782 |
| 2021 | <u>88,227</u> | <u>2,555</u> | <u>90,782</u> |
| Totals | 333,591 | <u>\$ 29,537</u> | <u>\$ 363,128</u> |
| Less: current | <u>(78,690)</u> | | |
| Long-term | <u>\$ 254,901</u> | | |

Stallion Springs Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 6 – Net Pension Liability and Defined Benefit Pension Plan

Summary

| Type of Account | Balance as of July 1, 2016 | Additions | Deletions | Balance as of June 30, 2017 |
|--|-------------------------------|-------------------|---------------------|--------------------------------|
| Deferred Outflows of Resources: | | | | |
| Pension contributions made after the measurement date: | | | | |
| CalPERS – Miscellaneous Plan | \$ 36,049 | \$ 50,070 | \$ (36,049) | \$ 50,070 |
| CalPERS – Safety Plan | 45,815 | 45,355 | (45,815) | 45,355 |
| Sub-total | <u>81,864</u> | <u>95,425</u> | <u>(81,864)</u> | <u>95,425</u> |
| Difference between actual and proportionate share of employer contributions: | | | | |
| CalPERS – Safety Plan | 1,288 | 727 | (1,120) | 895 |
| Differences between projected and actual earnings on pension plan investments: | | | | |
| CalPERS – Miscellaneous Plan | - | 63,438 | - | 63,438 |
| CalPERS – Safety Plan | - | 72,840 | - | 72,840 |
| Sub-total | <u>-</u> | <u>136,278</u> | <u>-</u> | <u>136,278</u> |
| Differences between expected and actual experience: | | | | |
| CalPERS – Miscellaneous Plan | 1,602 | - | (608) | 994 |
| Total deferred outflows of resources | <u>\$ 84,754</u> | <u>\$ 232,430</u> | <u>\$ (83,592)</u> | <u>\$ 233,592</u> |
| Net Pension Liability: | | | | |
| CalPERS – Miscellaneous Plan | \$ 306,775 | \$ 174,972 | \$ (36,049) | \$ 445,698 |
| CalPERS – Safety Plan | 244,261 | 151,598 | (45,815) | 350,044 |
| Total net pension liability | <u>\$ 551,036</u> | <u>\$ 326,570</u> | <u>\$ (81,864)</u> | <u>\$ 795,742</u> |
| Deferred Inflows of Resources: | | | | |
| Differences between projected and actual earnings on pension plan investments: | | | | |
| CalPERS – Miscellaneous Plan | \$ 7,597 | \$ - | \$ (7,597) | \$ - |
| CalPERS – Safety Plan | 13,952 | - | (13,952) | - |
| Sub-total | <u>21,549</u> | <u>-</u> | <u>(21,549)</u> | <u>-</u> |
| Difference between actual and proportionate share of employer contributions: | | | | |
| CalPERS – Miscellaneous Plan | 35,022 | 31,314 | (22,610) | 43,726 |
| CalPERS – Safety Plan | - | 3,485 | (1,004) | 2,481 |
| Sub-total | <u>35,022</u> | <u>34,799</u> | <u>(23,614)</u> | <u>46,207</u> |
| Adjustment due to differences in proportions: | | | | |
| CalPERS – Miscellaneous Plan | 109,905 | (30,100) | (31,998) | 47,807 |
| CalPERS – Safety Plan | 17,529 | 2,117 | (8,848) | 10,798 |
| Sub-total | <u>127,434</u> | <u>(27,983)</u> | <u>(40,846)</u> | <u>58,605</u> |
| Differences between expected and actual experience: | | | | |
| CalPERS – Safety Plan | 5,985 | - | (2,583) | 3,402 |
| Changes in assumptions: | | | | |
| CalPERS – Miscellaneous Plan | 15,153 | - | (2,965) | 12,188 |
| CalPERS – Safety Plan | 27,530 | - | (12,705) | 14,825 |
| Sub-total | <u>42,683</u> | <u>-</u> | <u>(15,670)</u> | <u>27,013</u> |
| Total deferred inflows of resources | <u>\$ 232,673</u> | <u>\$ 6,816</u> | <u>\$ (104,262)</u> | <u>\$ 135,227</u> |

Stallion Springs Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 6 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

General Information about the Pension Plans

The Plans Description Schedule

The District has engaged with CalPERS to administer the following pension plans for its employees (members):

Miscellaneous Plans

| | Miscellaneous Plans | |
|---|-----------------------------|--------------------------------|
| | Classic Tier 1 | PEPRA Tier 2 |
| Hire date | Prior to January 1, 2013 | On or after January 1, 2013 |
| Benefit formula | 2.0% @ 60 | 2.0% @ 62 |
| Benefit vesting schedule | 5-years or service | 5-years or service |
| Benefits payments | monthly for life | monthly for life |
| Retirement age | 50 - 67 & up | 52 - 67 & up |
| Monthly benefits, as a % of eligible compensation | 1.0% to 2.0% | 1.0% to 2.0% |
| Required member contribution rates | 7.000% | 6.250% |
| Required employer contribution rates | 7.159% | 6.555% |

Safety Plans

| | Safety Plans | |
|---|-----------------------------|--------------------------------|
| | Classic Tier 1 | PEPRA Tier 2 |
| Hire date | Prior to January 1, 2013 | On or after January 1, 2013 |
| Benefit formula | 3.0% @ 55 | 2.7% @ 57 |
| Benefit vesting schedule | 5-years or service | 5-years or service |
| Benefits payments | monthly for life | monthly for life |
| Retirement age | 50 - 67 & up | 52 - 67 & up |
| Monthly benefits, as a % of eligible compensation | 2.4% to 3.0% | 2.4% to 3.0% |
| Required member contribution rates | 9.000% | 11.500% |
| Required employer contribution rates | 12.082% | 16.656% |

Plan Description

The District contributes to the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer defined benefit pension plan. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. A full description of the pension plan, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the June 30, 2017 Annual Actuarial Valuation Report. This report and CalPERS' audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications.

Stallion Springs Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 6 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

General Information about the Pension Plans (Continued)

Members Covered by Benefit Terms

At June 30, 2016 (Valuation Date), the following members were covered by the benefit terms:

| <u>Plan Members</u> | <u>Miscellaneous Plans</u> | | <u>Total</u> |
|------------------------------------|----------------------------|---------------|--------------|
| | <u>Classic</u> | <u>PEPRA</u> | |
| | <u>Tier 1</u> | <u>Tier 2</u> | |
| Active members | 3 | 5 | 8 |
| Transferred and terminated members | 8 | - | 8 |
| Retired members and beneficiaries | 6 | - | 6 |
| Total plan members | 17 | 5 | 22 |

| <u>Plan Members</u> | <u>Safety Plans</u> | | <u>Total</u> |
|------------------------------------|---------------------|---------------|--------------|
| | <u>Classic</u> | <u>PEPRA</u> | |
| | <u>Tier 1</u> | <u>Tier 2</u> | |
| Active members | 2 | 1 | 3 |
| Transferred and terminated members | 3 | 1 | 4 |
| Retired members and beneficiaries | 2 | - | 2 |
| Total plan members | 7 | 2 | 9 |

Benefits Provided

CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. A Classic CalPERS Miscellaneous member becomes eligible for service retirement upon attainment of age 55 with at least 5 years of credited service. Public Employees' Pension Reform Act (PEPRA) Miscellaneous members become eligible for service retirement upon attainment of age 62 with at least 5 years of service. The service retirement benefit is a monthly allowance equal to the product of the benefit factor, years of service, and final compensation. The final compensation is the monthly average of the member's highest 36 full-time equivalent monthly pay. Retirement benefits for Classic Miscellaneous and Safety members are calculated as a percentage of their plan based the average final 12 months compensation. Retirement benefits for PEPRA Miscellaneous members are calculated as a percentage of their plan based the average final 36 months compensation.

Participant members are eligible for non-industrial disability retirement if they become disabled and have at least 5 years of credited service. There is no special age requirement. The standard non-industrial disability retirement benefit is a monthly allowance equal to 1.8% of final compensation, multiplied by service. Industrial disability benefits are not offered to miscellaneous employees.

A member's beneficiary may receive the basic death benefit if the member dies while actively employed. The member must be actively employed with the District to be eligible for this benefit. A member's survivor who is eligible for any other pre-retirement death benefit may choose to receive that death benefit instead of this basic death benefit. The basic death benefit is a lump sum in the amount of the members' accumulated contributions, where interest is currently credited at 7.65 percent per year, plus a lump sum in the amount of one month's salary for each completed year of current service, up to a maximum of six months' salary. For purposes of this benefit, one month's salary is defined as the member's average monthly full-time rate of compensation during the 12 months preceding death.

Stallion Springs Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 6 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

General Information about the Pension Plans (Continued)

Benefits Provided (Continued)

Upon the death of a retiree, a one-time lump sum payment of \$500 will be made to the retiree's designated survivor(s), or to the retiree's estate.

Benefit terms provide for annual cost-of-living adjustments to each member's retirement allowance. Beginning the second calendar year after the year of retirement, retirement and survivor allowances will be annually adjusted on a compound basis by 3%.

Contributions

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers will be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The public agency cost-sharing plans covered by the Miscellaneous risk pool, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of members. For the measurement period ended June 30, 2016 (Measurement Date), the active member contribution rate for the Classic Miscellaneous Plan and the PEPRA Miscellaneous Plan are based above in the Plans Description schedule.

For the year ended June 30, 2017, the contributions made to the Plan were as follows:

| <u>Contribution Type</u> | <u>Miscellaneous Plans</u> | | <u>Total</u> |
|----------------------------|----------------------------|------------------|------------------|
| | <u>Classic</u> | <u>PEPRA</u> | |
| | <u>Tier 1</u> | <u>Tier 2</u> | |
| Contributions – employer | \$ 29,330 | \$ 20,740 | \$ 50,070 |
| Contributions – members | 14,589 | 19,686 | 34,275 |
| Total contributions | \$ 43,919 | \$ 40,426 | \$ 84,345 |

| <u>Contribution Type</u> | <u>Safety Plans</u> | | <u>Total</u> |
|----------------------------|---------------------|------------------|------------------|
| | <u>Classic</u> | <u>PEPRA</u> | |
| | <u>Tier 1</u> | <u>Tier 2</u> | |
| Contributions – employer | \$ 38,094 | \$ 7,261 | \$ 45,355 |
| Contributions – members | 14,392 | 6,786 | 21,178 |
| Total contributions | \$ 52,486 | \$ 14,047 | \$ 66,533 |

Stallion Springs Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 6 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans

Actuarial Methods and Assumptions Used to Determine the Total Pension Liability

For the measurement period ended June 30, 2016 (Measurement Date), the total pension liability was determined by rolling forward the June 30, 2015 total pension liability. The June 30, 2016 total pension liabilities were based on the following actuarial methods and assumptions:

| | |
|----------------------------------|---|
| Actuarial Cost Method | Entry Age Normal |
| Actuarial Assumptions: | |
| Discount Rate | 7.65% |
| Inflation | 2.75% |
| Salary Increases | Varies by Entry Age and Service |
| Mortality Rate Table | Derived using CalPERS' Membership Data for all Funds. |
| Post Retirement Benefit Increase | Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter |

All other actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent. The long-term expected rate of return on the pension plan investments was determined in which best-estimate ranges of expected future real rates are developed for each major asset class. In determining the long-term expected rate of return, both short-term and long-term market return expectations as well as the expected pension fund cash flows were considered. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years.

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

Stallion Springs Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 6 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans (Continued)

Discount Rate

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

| <u>Investment Type</u> | <u>New Strategic Allocation</u> | <u>Real Return Years 1 - 10¹</u> | <u>Real Return Years 11+²</u> |
|-------------------------------|---------------------------------|---|--|
| Global Equity | 51.00% | 5.25% | 5.71% |
| Global Fixed Income | 20.00% | 0.99% | 2.43% |
| Inflation Sensitive | 6.00% | 0.45% | 3.36% |
| Private Equity | 10.00% | 6.83% | 6.95% |
| Real Estate | 10.00% | 4.50% | 5.13% |
| Infrastructure and Forestland | 2.00% | 4.50% | 5.09% |
| Liquidity | 1.00% | -0.55% | -1.05% |
| | <u>100.00%</u> | | |

¹ An expected inflation rate-of-return of 2.5% is used for years 1 – 10.

² An expected inflation rate-of-return of 3.0% is used for years 11+.

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

The following presents the District's proportionate share of the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.65%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.65%) or 1 percentage-point higher (8.65%) than the current rate:

| <u>Plan Type</u> | <u>Plan's Net Pension Liability/(Asset)</u> | | |
|--|---|---|-------------------------------------|
| | <u>Discount Rate - 1% 6.65%</u> | <u>Current Discount Rate 7.650%</u> | <u>Discount Rate + 1% 8.65%</u> |
| CalPERS – Miscellaneous & Safety Plans | <u>\$ 1,337,625</u> | <u>\$ 795,742</u> | <u>\$ 349,225</u> |

Stallion Springs Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 6 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans (Continued)

Pension Plan Fiduciary Net Position

Detail information about the plan’s fiduciary net position is available in the separately issued CalPERS financial report and can be obtained from CalPERS’ website under Forms and Publications.

Proportionate Share of Net Pension Liability and Pension Expense

The following table shows the plan’s proportionate share of the risk pool collective net pension liability over the measurement period for the CalPERS Miscellaneous and Safety Plans as follows:

| <u>Plan Type and Balance Descriptions</u> | <u>Plan Total Pension Liability</u> | <u>Plan Fiduciary Net Position</u> | <u>Change in Plan Net Pension Liability</u> |
|--|-------------------------------------|------------------------------------|---|
| CalPERS – Miscellaneous Plan: | | | |
| Balance as of June 30, 2015 (Measurement Date) | \$ 2,078,797 | \$ 1,772,022 | \$ 306,775 |
| Balance as of June 30, 2016 (Measurement Date) | \$ 2,254,626 | \$ 1,808,928 | \$ 445,698 |
| Change in Plan Net Pension Liability | \$ 175,829 | \$ 36,906 | \$ 138,923 |
| | | | |
| <u>Plan Type and Balance Descriptions</u> | <u>Plan Total Pension Liability</u> | <u>Plan Fiduciary Net Position</u> | <u>Change in Plan Net Pension Liability</u> |
| CalPERS – Safety Plan: | | | |
| Balance as of June 30, 2015 (Measurement Date) | \$ 1,610,640 | \$ 1,366,379 | \$ 244,261 |
| Balance as of June 30, 2016 (Measurement Date) | \$ 1,755,814 | \$ 1,405,770 | \$ 350,044 |
| Change in Plan Net Pension Liability | \$ 145,174 | \$ 39,391 | \$ 105,783 |

Stallion Springs Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 6 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans (Continued)

Proportionate Share of Net Pension Liability and Pension Expense (Continued)

The following is the approach established by the plan actuary to allocate the net pension liability and pension expense to the individual employers within the risk pool.

- (1) In determining a cost-sharing plan's proportionate share, total amounts of liabilities and assets are first calculated for the risk pool as a whole on the valuation date (June 30, 2015). The risk pool's fiduciary net position ("FNP") subtracted from its total pension liability (TPL) determines the net pension liability (NPL) at the valuation date.
- (2) Using standard actuarial roll forward methods, the risk pool TPL is then computed at the measurement date (June 30, 2016). Risk pool FNP at the measurement date is then subtracted from this number to compute the NPL for the risk pool at the measurement date. For purposes of FNP in this step and any later reference thereto, the risk pool's FNP at the measurement date denotes the aggregate risk pool's FNP at June 30, 2016 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2015-16 fiscal year).
- (3) The individual plan's TPL, FNP and NPL are also calculated at the valuation date.
- (4) Two ratios are created by dividing the plan's individual TPL and FNP as of the valuation date from (3) by the amounts in step (1), the risk pool's total TPL and FNP, respectively.
- (5) The plan's TPL as of the Measurement Date is equal to the risk pool TPL generated in (2) multiplied by the TPL ratio generated in (4). The plan's FNP as of the Measurement Date is equal to the FNP generated in (2) multiplied by the FNP ratio generated in (4) plus any additional side fund (or unfunded liability) contributions made by the employer on behalf of the plan during the measurement period.
- (6) The plan's NPL at the Measurement Date is the difference between the TPL and FNP calculated in (5).

Stallion Springs Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 6 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans (Continued)

The District’s proportionate share of the net pension liability was as follows:

| <u>CalPERS – Miscellaneous Plan</u> | <u>Percentage Share of Risk Pool</u> | | <u>Change Increase/ (Decrease)</u> |
|---|---|---|--|
| | <u>Fiscal Year Ending June 30, 2017</u> | <u>Fiscal Year Ending June 30, 2016</u> | |
| | Measurement Date | June 30, 2016 | |
| Percentage of Risk Pool Net Pension Liability | 0.012830% | 0.011180% | 0.001650% |
| Percentage of Plan (PERF C) Net Pension Liability | 0.005151% | 0.004469% | 0.000682% |

| <u>CalPERS – Safety Plan</u> | <u>Percentage Share of Risk Pool</u> | | <u>Change Increase/ (Decrease)</u> |
|---|---|---|--|
| | <u>Fiscal Year Ending June 30, 2017</u> | <u>Fiscal Year Ending June 30, 2016</u> | |
| | Measurement Date | June 30, 2016 | |
| Percentage of Risk Pool Net Pension Liability | 0.006759% | 0.005930% | 0.000829% |
| Percentage of Plan (PERF C) Net Pension Liability | 0.004045% | 0.003559% | 0.000486% |

For the year ended June 30, 2017, the District recognized pension expense/(credit) in the amount of \$93,847 for the CalPERS Miscellaneous \$48,186 and Safety Plans \$45,661.

The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized over 5-years straight line. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period.

Stallion Springs Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 6 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans (Continued)

Proportionate Share of Net Pension Liability and Pension Expense (Continued)

The expected average remaining service lifetime (EARSL) for PERF C for the measurement date ending June 30, 2016 is 3.7 years, which was obtained by dividing the total service years of 475,689 (the sum of remaining service lifetimes of the active employees) by 127,009 (the total number of participants: active, inactive, and retired) in PERF C. Inactive employees and retirees have remaining service lifetimes equal to 0. Total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| <u>Account Description</u> | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Pension contributions made after the measurement date | \$ 95,425 | \$ - |
| Difference between actual and proportionate share of employer contributions | 895 | 46,207 |
| Adjustment due to differences in proportions | - | 58,605 |
| Differences between expected and actual experience | 994 | 3,402 |
| Differences between projected and actual earnings on pension plan investments | 136,278 | - |
| Changes in assumptions | - | 27,013 |
| Total Deferred Outflows/(Inflows) of Resources | \$ 233,592 | \$ 135,227 |

The District will recognize \$81,864 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date as a reduction of the net pension liability in the fiscal year ended June 30, 2017, as noted above.

Amortization of Deferred Outflows of Resources and Deferred Inflows of Resources

Other remaining amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized to pension expense in future periods as follows:

| <u>Amortization Period Fiscal Year Ended June 30</u> | <u>Deferred Outflows/(Inflows) of Resources</u> |
|--|---|
| 2018 | \$ (57,788) |
| 2019 | (35,277) |
| 2020 | 60,614 |
| 2021 | 35,391 |
| Total | \$ 2,940 |

Stallion Springs Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 7 – Net Investment in Capital Assets

The District’s net investment in capital assets is summarized as of June 30, 2017 as follows:

| Description | Governmental Activities | Business-Type Activities | Total |
|---|----------------------------|-----------------------------|---------------------|
| Net investment in capital assets: | | | |
| Capital assets – not being depreciated | \$ 73,657 | \$ 8,000 | \$ 81,657 |
| Capital assets – being depreciated, net | 4,918,143 | 3,966,333 | 8,884,476 |
| Notes payable – current portion | - | (78,690) | (78,690) |
| Notes payable – non-current portion | - | (254,901) | (254,901) |
| Total net investment in capital assets | \$ 4,991,800 | \$ 3,640,742 | \$ 8,632,542 |

Note 8 – Fund Balance

A detailed schedule of fund balances and their funding composition at June 30, 2017 is as follows:

| Description | General Government | Parks and Recreation | Public Safety | Roads | Total Governmental Funds |
|---------------------------|-----------------------|-------------------------|------------------|-------------------|--------------------------------|
| Restricted: | | | | | |
| Roads | \$ - | \$ - | \$ - | \$ 567,458 | \$ 567,458 |
| Committed: | | | | | |
| Compensated absences | 15,562 | 197 | 57,574 | - | 73,333 |
| Assigned: | | | | | |
| Parks and recreation | - | 101,175 | - | - | 101,175 |
| Public safety | - | - | (39,277) | - | (39,277) |
| Unassigned | 1,186,303 | - | - | - | 1,186,303 |
| Total fund balance | \$ 1,201,865 | \$ 101,372 | \$ 18,297 | \$ 567,458 | \$ 1,888,992 |

Note 9 – Deferred Compensation Savings Plan

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

Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of the participants. Accordingly, the District is in compliance with this legislation. Therefore, these assets are not the legal property of the District, and are not subject to claims of the District’s general creditors.

U.S. GAAP indicates that since the District has little administrative involvement and does not perform the investing function for this plan, the assets and related liabilities are not shown in the accompanying financial statements.

Stallion Springs Community Services District
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 10 – 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, 2017, 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: \$10,000,000 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 coverage's.
- 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 \$750 million per occurrence, subject to a \$2,000 deductible per occurrence.
- Boiler and machinery coverage for the replacement cost up to \$100 million per occurrence, subject to a \$1,000 deductible per occurrence.
- 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 \$100 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 2017, 2016, and 2015. 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 IBNR claims payable as of June 30, 2017, 2016, and 2015.

Note 11 - Contingencies

Litigation

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

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REQUIRED SUPPLEMENTARY INFORMATION

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Stallion Springs Community Services District
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedule – General Government Fund
For the Year Ended June 30, 2017

| | <u>Original Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|---|----------------------------|---------------------|---|
| Revenues: | | | |
| Property taxes | \$ 56,000 | \$ 135,614 | \$ 79,614 |
| Special assessments | - | 5,012 | 5,012 |
| Charges for services | 6,600 | 25,577 | 18,977 |
| Interest earnings | 3,400 | 7,675 | 4,275 |
| Total revenues | <u>66,000</u> | <u>173,878</u> | <u>107,878</u> |
| Expenditures: | | | |
| Current: | | | |
| Salaries and benefits | 60,921 | 72,972 | (12,051) |
| Materials and services | 30,416 | 28,361 | 2,055 |
| Capital outlay | - | 14,720 | (14,720) |
| Total expenditures | <u>91,337</u> | <u>116,053</u> | <u>(24,716)</u> |
| Revenues over/(under) expenditures | (25,337) | 57,825 | 83,162 |
| Other financing sources/(uses): | | | |
| Transfers in(out) | - | (8,331) | (8,331) |
| Total other financing sources/(uses) | <u>-</u> | <u>(8,331)</u> | <u>(8,331)</u> |
| Net change in fund balance | <u>\$ (25,337)</u> | 49,494 | <u>\$ 74,831</u> |
| Fund balance | | | |
| Beginning of year | | <u>1,152,371</u> | |
| End of year | | <u>\$ 1,201,865</u> | |

Stallion Springs Community Services District
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedule – Parks and Recreation Fund
For the Year Ended June 30, 2017

| | <u>Original Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|-----------------------------------|----------------------------|-------------------|---|
| Revenues: | | | |
| Property taxes | \$ 205,000 | \$ 105,000 | \$ (100,000) |
| Charges for services | 83,000 | 94,920 | 11,920 |
| Interest earnings | - | 50 | 50 |
| Total revenues | <u>288,000</u> | <u>199,970</u> | <u>(88,030)</u> |
| Expenditures: | | | |
| Current: | | | |
| Salaries and benefits | 129,612 | 109,746 | 19,866 |
| Materials and services | 99,617 | 88,744 | 10,873 |
| Capital outlay | 10,000 | - | 10,000 |
| Total expenditures | <u>239,229</u> | <u>198,490</u> | <u>40,739</u> |
| Net change in fund balance | <u>\$ 48,771</u> | 1,480 | <u>\$ (47,291)</u> |
| Fund balance | | | |
| Beginning of year | | <u>99,892</u> | |
| End of year | | <u>\$ 101,372</u> | |

Stallion Springs Community Services District
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedule – Public Safety Fund
For the Year Ended June 30, 2017

| | <u>Original Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|--|----------------------------|------------------|---|
| Revenues: | | | |
| Property taxes | \$ 410,000 | \$ 514,869 | \$ 104,869 |
| Special assessments | 33,132 | 121 | (33,011) |
| Charges for services | 2,100 | 15,093 | 12,993 |
| Federal and state aid | 173,568 | 139,056 | (34,512) |
| Interest earnings | 350 | 205 | (145) |
| Total revenues | <u>619,150</u> | <u>669,344</u> | <u>50,194</u> |
| Expenditures: | | | |
| Current: | | | |
| Salaries and benefits | 645,890 | 508,997 | 136,893 |
| Materials and services | 70,370 | 83,395 | (13,025) |
| Capital outlay | - | - | - |
| Debt service: | | | |
| Principal | - | 57,104 | (57,104) |
| Interest | - | 1,955 | (1,955) |
| Total expenditures | <u>716,260</u> | <u>651,451</u> | <u>64,809</u> |
| Revenues over/(under) expenditures | (97,110) | 17,893 | 115,003 |
| Other financing sources/(uses): | | | |
| Transfers in(out) | - | 8,331 | 8,331 |
| Total other financing sources(uses) | - | 8,331 | 8,331 |
| Net change in fund balance | <u>\$ (97,110)</u> | 26,224 | <u>\$ 123,334</u> |
| Fund balance: | | | |
| Beginning of year | | <u>(7,927)</u> | |
| End of year | | <u>\$ 18,297</u> | |

Stallion Springs Community Services District
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedule – Roads Fund
For the Year Ended June 30, 2017

| | <u>Original Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|-----------------------------------|----------------------------|-------------------|---|
| Revenues: | | | |
| Special assessments | \$ 324,000 | \$ 339,389 | \$ 15,389 |
| Interest earnings | - | 6,228 | 6,228 |
| Total revenues | <u>324,000</u> | <u>345,617</u> | <u>21,617</u> |
| Expenditures: | | | |
| Current: | | | |
| Salaries and benefits | 110,276 | 107,050 | 3,226 |
| Materials and services | 85,051 | 89,933 | (4,882) |
| Capital outlay | 30,403 | 22,684 | 7,719 |
| Total expenditures | <u>225,730</u> | <u>219,667</u> | <u>6,063</u> |
| Net change in fund balance | <u>\$ 98,270</u> | <u>125,950</u> | <u>\$ 27,680</u> |
| Fund balance: | | | |
| Beginning of year | | <u>441,508</u> | |
| End of year | | <u>\$ 567,458</u> | |

Stallion Springs Community Services District
Required Supplementary Information (Unaudited)
Schedule of the District's Proportionate Share of the Plan's Net Pension Liability
For the Year Ended June 30, 2017

Last Ten Fiscal Years

California Public Employees' Retirement System (CalPERS)

| Measurement Date: | June 30, 2016¹ | June 30, 2015¹ | June 30, 2014¹ |
|---|----------------------------------|----------------------------------|----------------------------------|
| District's Proportion of the Net Pension Liability | <u>0.009196%</u> | <u>0.008028%</u> | <u>0.009784%</u> |
| District's Proportionate Share of the Net Pension Liability | <u>\$ 795,742</u> | <u>\$ 551,036</u> | <u>\$ 608,837</u> |
| District's Covered-Employee Payroll | <u>\$ 717,700</u> | <u>\$ 696,800</u> | <u>\$ 676,506</u> |
| District's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll | <u>110.87%</u> | <u>79.08%</u> | <u>90.00%</u> |
| Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability | <u>74.06%</u> | <u>78.40%</u> | <u>79.82%</u> |

¹ Historical information is required only for measurement periods for which GASB No. 68 is applicable.

**Stallion Springs Community Services District
Required Supplementary Information (Unaudited)
Schedule of the District's Contributions to the Pension Plan
For the Year Ended June 30, 2017**

Last Ten Fiscal Years

California Public Employees' Retirement System (CalPERS)

| Fiscal Year: | <u>2016-17¹</u> | <u>2015-16¹</u> | <u>2014-15¹</u> | <u>2013-14¹</u> |
|---|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| Actuarially Determined Contribution ² | \$ 95,425 | \$ 81,864 | \$ 70,491 | \$ 65,246 |
| Contribution in Relation to the Actuarially Determined Contribution ² | <u>(95,425)</u> | <u>(81,864)</u> | <u>(70,491)</u> | <u>(65,246)</u> |
| Contribution Deficiency (Excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's Covered-Employee Payroll ³ | <u>\$ 732,560</u> | <u>\$ 717,700</u> | <u>\$ 696,800</u> | <u>\$ 676,506</u> |
| Contributions as a Percentage of Covered- Employee Payroll | <u>13.03%</u> | <u>11.41%</u> | <u>10.12%</u> | <u>9.64%</u> |

¹ Historical information is required only for measurement periods for which GASB No. 68 is applicable.

² Employers are assumed to make contributions equal to the actuarially determined contributions (which is the actuarially determined contribution). However, some employers may choose to make additional contributions towards their side-fund or their unfunded liability. Employer contributions for such plan exceed the actuarial determined contributions. CalPERS has determined that employer obligations referred to as *side-funds* are not considered separately financed specific liabilities.

³ Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB No. 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.

Notes to the Schedule:

Change in Benefit Terms: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013 as they have minimal cost impact. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).