



# AGENDA

**Please turn off all cell phones while meeting is in progress.**

STALLION SPRINGS COMMUNITY SERVICES DISTRICT  
27800 STALLION SPRINGS DRIVE, TEHACHAPI, CA 93561

BOARD OF DIRECTORS SPECIAL BOARD MEETING  
TUESDAY, January 21, 2020 @5:00 PM

- 1) Discussion and approval of Fiscal Year 2018/2019 Audit.

BOARD OF DIRECTORS REGULAR BOARD MEETING  
IMMEDIATELY FOLLOWING SPECIAL MEETING OR @ 6 PM

- 2) **Flag Salute**

- 3) **Call to Order**

- 4) **Roll Call:**

Directors present:

Directors absent:

- 4) **Reserved for President's Comments and Addendum.**

- 5) **PUBLIC PRESENTATIONS** – This portion of the meeting is reserved for persons desiring to address the Board on any matter not on this agenda and over which this Board has jurisdiction. “Please be advised however, the Brown Act prohibits action on items that are not listed on the Agenda, or properly added to the Agenda under the provisions of the Brown Act. The Board may set such items for consideration at some future Board meeting.” Speakers are limited to three (3) minutes. PLEASE STEP TO THE PODIUM TO MAKE YOUR PRESENTATION. STATE YOUR NAME AND ADDRESS FOR THE RECORD, before making your presentation. Thank you.

- 6) **BOARD MEMBER ITEMS** – This portion of the meeting is reserved for Directors to present to the Board and to the public, information, announcements and items that have come to their attention. No formal action will be taken. A Board member may request that an item be placed, for consideration, at a future Board meeting.

- 7) Approval of documents for Suez Water Meter Agreement.

- 8) Approval of the Finance Documents in regard to the loan for the Suez metering project and Resolution No. 2020-01, a Resolution regarding a California Municipal Lease-purchase Agreement for the purpose of financing water meters and directing certain actions therewith.
- 9) Approval of Resolution No. 2020-02, a Resolution Authorizing the execution and delivery of a retention bonus to eligible employees for the purpose of attracting and retaining Peace Officers for Stallion Springs Community Services District.
- 10) Approval of Resolution No. 2020-03, a Resolution of a policy regarding discontinuation of residential water service.
- 11) Approval to expend up to \$10,000 to purchase equipment that will allow the District to exercise all water valves (called Spin Doctor 400).
- 12) Approval of the November 19, 2019 Regular Board Meeting Minutes.
- 13) Approval of Checks for November and December 2019 and the CalPERS Retirement Payments.
- 14) Financial Reports.
- 15) Police Report
- 16) General Manager's Report.

### **CLOSED SESSION**

- 17) General Manager Review: Government Code Section §54957.6

**ADA compliance statement:** In compliance with the Americans with Disability Act, if you need special assistance to participate in this meeting, please contact the General Manager, David Aranda, at 661-822-3268. Notification 48 hours prior to the meeting will enable the District to make reasonable arrangements to ensure accessibility to this meeting.

Posted January 17, 2020



# STALLION SPRINGS COMMUNITY SERVICES DISTRICT

27800 STALLION SPRINGS DRIVE, TEHACHAPI, CA 93561  
(661) 822-3268, FAX (661) 822-1878, [sscsd@stallionspringscsd.com](mailto:sscsd@stallionspringscsd.com)

## **AGENDA SUPPORTING INFORMATION**

### Agenda #1

Subject: Discussion and Approval of the Fiscal Year 2018/2019 Audit.

Submitted by: David Aranda, General Manager

Meeting Date: January 21, 2020

Background: Each year, as required by law, the District has an independent auditor provide an audit report for Fiscal Year 2018/2019.

This year Paul Kaymark with Nigro & Nigro will present the audit. Please listen as Paul presents pertinent information and feel free to ask questions in regard to the financial situation of the District.

**STALLION SPRINGS COMMUNITY SERVICES  
DISTRICT  
FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT  
For the Fiscal Year Ended  
June 30, 2019**

**STALLION SPRINGS COMMUNITY SERVICES DISTRICT**

*For the Fiscal Year Ended June 30, 2019*

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***Financial Section***

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
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 Stallion Springs Community Services District as of and for the fiscal year ended June 30, 2019, 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.

### Auditors' 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.

### Opinion

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 Stallion Springs Community Services District, as of June 30, 2019, and the respective changes in financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters*****Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 3 through 9, budgetary comparison information on pages 46 through 49, schedule of proportionate share of the net pension liability on page 50, and schedule of contributions on page 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a separate report dated January 15, 2020, 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.

Murrieta, California  
January 15, 2020



# STALLION SPRINGS COMMUNITY SERVICES DISTRICT

## Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2019

Management's Discussion and Analysis (MD&A) offers readers of Stallion Springs Community Services District's financial statements a narrative overview of the District's financial activities for the fiscal year ended June 30, 2019. This MD&A presents financial highlights, an overview of the accompanying financial statements, an analysis of net position and results of operations, a current-to prior year analysis, a discussion on restrictions, commitments and limitations, and a discussion of significant activity involving capital assets and long-term debt. Please read in conjunction with the financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- The District's net position decreased 18.4%, or (\$2,175,035) from the prior year's net position of \$11,827,863 to \$9,652,828, as a result of this year's operations.
- Total revenues from all sources increased by 14.0%, or \$437,163 from \$3,117,520 to \$3,554,683, from the prior year, primarily due to an increase in property taxes, investment earnings and a \$125,000 gain on sale of asset.
- Total expenses for the District's operations before depreciation expense increased by 0.6% or \$15,482 from \$2,485,937 to \$2,501,419, from the prior year.
- In 2019, the District incurred a \$3,155,033 charge for depreciation expense as an adjustment from its capital asset clean-up project to properly state the District's accumulated depreciation.

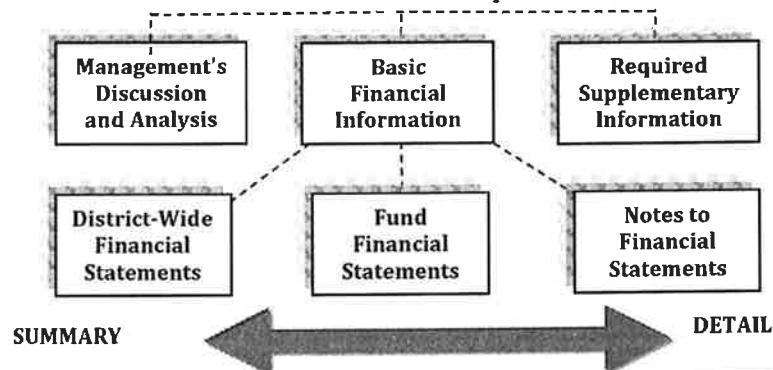
### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- *District-wide financial statements* provide both short-term and long-term information about the District's overall financial status.
- *Fund financial statements* focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
  - The *governmental funds* statements tell how basic services were financed in the short term as well as what remains for future spending.
  - Short and long-term financial information about the activities of the District that operate like businesses (self-insurance funds) are provided in the *proprietary funds statements*.

Figure A-1. Organization of Stallion Springs Community Services District's Annual Financial Report

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.



## STALLION SPRINGS COMMUNITY SERVICES DISTRICT

*Management's Discussion and Analysis (Unaudited)*

*For the Fiscal Year Ended June 30, 2019*

### OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**Figure A-2. Major Features of the District-Wide and Fund Financial Statements**

| <b>Type of Statements</b>                     | <b>District-Wide</b>   | <b>Governmental Fund</b>   | <b>Proprietary Funds</b>   |
|---|--|--|--|
| <i>Scope</i>                                  | Entire District  | The activities of the District that are not proprietary or fiduciary, such as fire and ambulance services  | Activities of the District that operate like a business, such as self-insurance funds  |
| <i>Required financial statements</i>          | <ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul> | <ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures &amp; Changes in Fund Balances</li> </ul>  | <ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Revenues, Expenses, &amp; Changes in Net Position</li> <li>• Statement of Cash Flows</li> </ul> |
| <i>Accounting basis and measurement focus</i> | Accrual accounting and economic resources focus  | Modified accrual accounting and current financial resources focus  | Accrual accounting and economic resources focus  |
| <i>Type of asset/liability information</i>    | All assets and liabilities, both financial and capital, short-term and long-term                                 | Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included  | All assets and liabilities, both short-term and long-term; The District's funds do not currently contain nonfinancial assets, though they can  |
| <i>Type of inflow/outflow information</i>     | All revenues and expenses during year, regardless of when cash is received or paid                               | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter | All revenues and expenses during the year, regardless of when cash is received or paid   |

## STALLION SPRINGS COMMUNITY SERVICES DISTRICT

*Management's Discussion and Analysis (Unaudited)*

*For the Fiscal Year Ended June 30, 2019*

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### OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

#### District-Wide Statements

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District's net position and how it has changed. Net position – the difference between the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources – is one way to measure the District's financial health, or *position*.

- Over time, increases and decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's demographics and the condition of buildings and other facilities.
- In the district-wide financial statements, the District's activities are categorized as *Governmental Activities*. Most of the District's basic services are included here, such as weed abatement, landscape maintenance, and administration. State and local programs finance most of these activities.

#### Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. Some funds are required by State law and by grantor requirements.

The District has two kinds of funds:

- 1) **Governmental funds** – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information on a separate reconciliation page that explains the relationship (or differences) between them.
- 2) **Proprietary funds** – When the District charges other District funds for the services it provides, these services are reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and Statement of Activities. In fact, the District's internal service fund is included within the governmental activities reported in the district-wide statements but provide more detail and additional information, such as cash flows. The District uses the internal service fund to report activities that relate to the District's self-insured programs for workers compensation claims, health and welfare benefits, and property and liability claims.

**STALLION SPRINGS COMMUNITY SERVICES DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2019*

**FINANCIAL ANALYSIS AND CONDENSED FINANCIAL INFORMATION**

**Analysis of Net Position**

**Table A-1: Condensed Statement of Net Position**

|                                       | Governmental Activities |                     | Business-Type Activities |                     | Total               |                      |
|---------------------------------------|-------------------------|---------------------|--------------------------|---------------------|---------------------|----------------------|
|                                       | June 30, 2019           | June 30, 2018       | June 30, 2019            | June 30, 2018       | June 30, 2019       | June 30, 2018        |
| <b>ASSETS:</b>                        |                         |                     |                          |                     |                     |                      |
| Current assets                        | \$ 2,176,437            | \$ 3,516,413        | \$ 2,090,343             | \$ 1,930,661        | \$ 4,266,780        | \$ 5,447,074         |
| Capital assets, net                   | 4,569,192               | 5,031,593           | 5,200,565                | 4,143,672           | 9,769,757           | 9,175,265            |
| <b>Total assets</b>                   | <b>6,745,629</b>        | <b>8,548,006</b>    | <b>7,290,908</b>         | <b>6,074,333</b>    | <b>14,036,537</b>   | <b>14,622,339</b>    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b> | <b>227,500</b>          | <b>276,275</b>      | <b>97,840</b>            | <b>77,313</b>       | <b>325,340</b>      | <b>353,588</b>       |
| <b>LIABILITIES:</b>                   |                         |                     |                          |                     |                     |                      |
| Current liabilities                   | 254,459                 | 292,757             | 285,387                  | 183,155             | 539,846             | 475,912              |
| Non-current liabilities               | 1,945,228               | 2,163,893           | 2,146,111                | 407,160             | 4,091,339           | 2,571,053            |
| <b>Total liabilities</b>              | <b>2,199,687</b>        | <b>2,456,650</b>    | <b>2,431,498</b>         | <b>590,315</b>      | <b>4,631,185</b>    | <b>3,046,965</b>     |
| <b>DEFERRED INFLOWS OF RESOURCES</b>  | <b>46,131</b>           | <b>67,802</b>       | <b>31,733</b>            | <b>33,297</b>       | <b>77,864</b>       | <b>101,099</b>       |
| <b>NET POSITION</b>                   |                         |                     |                          |                     |                     |                      |
| Net investment in capital assets      | 3,195,584               | 5,031,593           | 3,200,565                | 3,888,771           | 6,396,149           | 8,920,364            |
| Unrestricted                          | 1,531,727               | 1,268,236           | 1,724,952                | 1,639,263           | 3,256,679           | 2,907,499            |
| <b>Total net position</b>             | <b>\$ 4,727,311</b>     | <b>\$ 6,299,829</b> | <b>\$ 4,925,517</b>      | <b>\$ 5,528,034</b> | <b>\$ 9,652,828</b> | <b>\$ 11,827,863</b> |

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 and deferred outflows of resources of the District exceeded liabilities and deferred inflows of resources by \$9,652,828 as of June 30, 2019.

By far the largest portion of the District's net position (66% as of June 30, 2019) reflects the District's investment in capital assets (net of accumulated depreciation) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its customers; consequently, these assets are not available for future spending.

At the end of fiscal year 2019, the District shows a positive balance in its unrestricted net position of \$3,256,679 that may be utilized in future years.

**STALLION SPRINGS COMMUNITY SERVICES DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2019*

**FINANCIAL ANALYSIS AND CONDENSED FINANCIAL INFORMATION (continued)**

**Analysis of Revenues and Expenses**

**Table A-2: Condensed Statement of Activities**

|                               | Governmental Activities |                  | Business-Type Activities |                  | Total              |                  |
|-------------------------------|-------------------------|------------------|--------------------------|------------------|--------------------|------------------|
|                               | June 30, 2019           | June 30, 2018    | June 30, 2019            | June 30, 2018    | June 30, 2019      | June 30, 2018    |
| <b>REVENUES:</b>              |                         |                  |                          |                  |                    |                  |
| Program revenues              | \$ 748,827              | \$ 715,825       | \$ 1,714,851             | \$ 1,623,019     | \$ 2,463,678       | \$ 2,338,844     |
| General revenues              | 1,024,433               | 781,324          | 66,572                   | (2,648)          | 1,091,005          | 778,676          |
| <b>Total revenues</b>         | <b>1,773,260</b>        | <b>1,497,149</b> | <b>1,781,423</b>         | <b>1,620,371</b> | <b>3,554,683</b>   | <b>3,117,520</b> |
| <b>EXPENSES:</b>              |                         |                  |                          |                  |                    |                  |
| Operations                    | 1,091,211               | 1,324,548        | 1,410,208                | 1,161,389        | 2,501,419          | 2,485,937        |
| Depreciation expense          | 2,193,882               | 146,820          | 961,121                  | 70,724           | 3,155,003          | 217,544          |
| Interest expense              | 60,685                  | -                | 12,611                   | 11,370           | 73,296             | 11,370           |
| <b>Total expenses</b>         | <b>3,345,778</b>        | <b>1,471,368</b> | <b>2,383,940</b>         | <b>1,243,483</b> | <b>5,729,718</b>   | <b>2,714,851</b> |
| <b>Change in net position</b> | <b>(1,572,518)</b>      | <b>25,781</b>    | <b>(602,517)</b>         | <b>376,888</b>   | <b>(2,175,035)</b> | <b>402,669</b>   |
| <b>NET POSITION:</b>          |                         |                  |                          |                  |                    |                  |
| Beginning of year             | 6,299,829               | 6,274,048        | 5,528,034                | 5,151,146        | 11,827,863         | 11,425,194       |
| End of year                   | \$ 4,727,311            | \$ 6,299,829     | \$ 4,925,517             | \$ 5,528,034     | \$ 9,652,828       | \$ 11,827,863    |

The statement of activities shows how the government's net position changed during the fiscal year. In the case of the District, the operations of the District decreased by (\$2,175,035) during the fiscal year ended June 30, 2019.

Total revenues from all sources increased by 14.0%, or \$437,163 from \$3,117,520 to \$3,554,683, from the prior year, primarily due to an increase in property taxes, investment earnings and a \$125,000 gain on sale of asset.

Total expenses for the District's operations before depreciation expense increased by 0.6% or \$15,482 from \$2,485,937 to \$2,501,419, from the prior year.

In 2019, the District incurred a \$3,155,033 charge for depreciation expense as an adjustment from its capital asset clean-up project to properly state the District's accumulated depreciation.

**STALLION SPRINGS COMMUNITY SERVICES DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2019*

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**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, 2019, the District reported a total fund balance in its governmental funds of \$2,086,141. An amount of \$1,382,366 constitutes the District's *unassigned fund balance*, which is available for future expenditures.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The final budgeted expenditures for the District's governmental funds at year-end were \$1,607,125 less than actual. The variance is principally due to the costs for the road project exceeding the budget by \$1,463,874. Actual revenues were greater than the anticipated budget by \$255,854.

**CAPITAL ASSET ADMINISTRATION**

**Table A-3: Capital Assets at Year End, Net of Depreciation**

|                                | <u>Balance<br/>July 1, 2018</u> | <u>Additions/<br/>Transfers</u> | <u>Deletions/<br/>Transfers</u> | <u>Balance<br/>June 30, 2019</u> |
|--------------------------------|---------------------------------|---------------------------------|---------------------------------|----------------------------------|
| Non-depreciable capital assets | \$ 81,657                       | \$ 893,622                      | \$ -                            | \$ 975,279                       |
| Depreciable capital assets     | 19,730,851                      | 2,868,610                       | (2,000)                         | 22,597,461                       |
| Total capital assets           | 19,812,508                      | 3,762,232                       | (2,000)                         | 23,572,740                       |
| Accumulated depreciation       | (10,637,243)                    | (3,167,740)                     | 2,000                           | (13,802,983)                     |
| Total capital assets, net      | <u>\$ 9,175,265</u>             | <u>\$ 594,492</u>               | <u>\$ -</u>                     | <u>\$ 9,769,757</u>              |

At the end of fiscal year 2019, the District's investment in capital assets amounted to \$9,769,757 (net of accumulated depreciation). This investment in capital assets includes structures, improvements and equipment. Major capital asset additions during the year include various ongoing road improvements, equipment, and a parcel of land with a building and well on it totaling \$3,762,232.

See Note 3 for further information on the District's capital assets.

**STALLION SPRINGS COMMUNITY SERVICES DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2019*

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**CAPITAL ASSET ADMINISTRATION (continued)**

**Table A-4: Long-term Debt and Debt Service**

|               | <u>Balance<br/>July 1, 2018</u> | <u>Additions</u>    | <u>Principal<br/>Payments</u> | <u>Balance<br/>June 30, 2019</u> |
|---------------|---------------------------------|---------------------|-------------------------------|----------------------------------|
| Notes payable | <u>\$ 1,754,901</u>             | <u>\$ 2,000,000</u> | <u>\$ (381,293)</u>           | <u>\$ 3,373,608</u>              |

In 2019, the District entered into a \$2,000,000 loan for the purchase of the parcel of land with the building and well on it.

See Note 5 for further information on the District's long-term debt.

**FACTORS 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 based on past, present and future events.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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 (661) 822-3268.

**STALLION SPRINGS COMMUNITY SERVICES DISTRICT***Statement of Net Position**June 30, 2019*

| <b>ASSETS</b>   | <b>Primary Government</b>          |                                     |                     |
|---|------------------------------------|-------------------------------------|---------------------|
|   | <b>Governmental<br/>Activities</b> | <b>Business-Type<br/>Activities</b> | <b>Total</b>        |
| <b>Current assets:</b>                                  |                                    |                                     |                     |
| Cash and investments (note 2)                           | \$ 2,162,636                       | \$ 1,883,214                        | \$ 4,045,850        |
| Accrued interest receivable                             | 1,439                              | 60                                  | 1,499               |
| Accounts receivable – services                          | 412                                | 196,781                             | 197,193             |
| Accounts receivable – others                            | 2,848                              | 9,733                               | 12,581              |
| Property taxes and assessments receivable               | 9,102                              | 555                                 | 9,657               |
| <b>Total current assets</b>                             | <b>2,176,437</b>                   | <b>2,090,343</b>                    | <b>4,266,780</b>    |
| <b>Non-current assets:</b>                              |                                    |                                     |                     |
| Capital assets – not being depreciated (note 3)         | 125,877                            | 849,402                             | 975,279             |
| Capital assets – being depreciated, net (note 3)        | 4,443,315                          | 4,351,163                           | 8,794,478           |
| <b>Total non-current assets</b>                         | <b>4,569,192</b>                   | <b>5,200,565</b>                    | <b>9,769,757</b>    |
| <b>Total assets</b>                                     | <b>6,745,629</b>                   | <b>7,290,908</b>                    | <b>14,036,537</b>   |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                   |                                    |                                     |                     |
| Pension related deferred outflows of resources (Note 6) | 227,500                            | 97,840                              | 325,340             |
| <b>Total deferred outflows of resources</b>             | <b>227,500</b>                     | <b>97,840</b>                       | <b>325,340</b>      |
| <b>LIABILITIES</b>                                      |                                    |                                     |                     |
| <b>Current liabilities:</b>                             |                                    |                                     |                     |
| Accounts payable and accrued expenses                   | 90,296                             | 99,697                              | 189,993             |
| Accrued interest payable                                | 4,435                              | 1,592                               | 6,027               |
| Compensated absences (note 4)                           | 28,596                             | 15,185                              | 43,781              |
| Notes payable (note 5)                                  | 131,132                            | 168,913                             | 300,045             |
| <b>Total current liabilities</b>                        | <b>254,459</b>                     | <b>285,387</b>                      | <b>539,846</b>      |
| <b>Non-current liabilities:</b>                         |                                    |                                     |                     |
| Compensated absences (note 4)                           | 42,895                             | 22,778                              | 65,673              |
| Notes payable (note 5)                                  | 1,242,476                          | 1,831,087                           | 3,073,563           |
| Aggregate net pension liability (note 6)                | 659,857                            | 292,246                             | 952,103             |
| <b>Total non-current liabilities</b>                    | <b>1,945,228</b>                   | <b>2,146,111</b>                    | <b>4,091,339</b>    |
| <b>Total liabilities</b>                                | <b>2,199,687</b>                   | <b>2,431,498</b>                    | <b>4,631,185</b>    |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                    |                                    |                                     |                     |
| Pension related deferred inflows of resources (Note 6)  | 46,131                             | 31,733                              | 77,864              |
| <b>Total deferred inflows of resources</b>              | <b>46,131</b>                      | <b>31,733</b>                       | <b>77,864</b>       |
| <b>NET POSITION</b>                                     |                                    |                                     |                     |
| Net investment in capital assets (note 7)               | 3,195,584                          | 3,200,565                           | 6,396,149           |
| Unrestricted  | 1,531,727                          | 1,724,952                           | 3,256,679           |
| <b>Total net position</b>                               | <b>\$ 4,727,311</b>                | <b>\$ 4,925,517</b>                 | <b>\$ 9,652,828</b> |

*The notes to financial statements are an integral part of this statement.*



**STALLION SPRINGS COMMUNITY SERVICES DISTRICT**

*Statement of Activities*

*For the Fiscal Year Ended June 30, 2019*

| Functions/Programs                    | Expenses            | Program Revenues     |                              |
|---------------------------------------|---------------------|----------------------|------------------------------|
|                                       |                     | Charges for Services | Capital and Operating Grants |
| <b>Primary government:</b>            |                     |                      |                              |
| <b>Governmental activities:</b>       |                     |                      |                              |
| General government                    | \$ 421,995          | \$ 43,055            | \$ -                         |
| Parks and recreation                  | 347,550             | 86,035               | -                            |
| Public safety                         | 733,251             | 120,731              | 148,747                      |
| Roads                                 | 1,842,982           | 350,259              | -                            |
| <b>Total governmental activities</b>  | <b>3,345,778</b>    | <b>600,080</b>       | <b>148,747</b>               |
| <b>Business-type activities:</b>      |                     |                      |                              |
| Water                                 | 1,811,759           | 1,004,149            | 184,826                      |
| Sewer                                 | 435,137             | 262,794              | 92,495                       |
| Solid waste                           | 137,044             | 170,587              | -                            |
| <b>Total business-type activities</b> | <b>2,383,940</b>    | <b>1,437,530</b>     | <b>277,321</b>               |
| <b>Total primary government</b>       | <b>\$ 5,729,718</b> | <b>\$ 2,037,610</b>  | <b>\$ 426,068</b>            |

**STALLION SPRINGS COMMUNITY SERVICES DISTRICT**

*Statement of Activities (continued)*

*For the Fiscal Year Ended June 30, 2019*

| Functions/Programs                    | Net (Expense) Revenue<br>and Changes in Net Position |                             |                    |
|---------------------------------------|--|-----------------------------|--------------------|
|                                       | Governmental<br>Activities                           | Business-Type<br>Activities | Total              |
| <b>Primary government:</b>            |  |                             |                    |
| <b>Governmental activities:</b>       |  |                             |                    |
| General government                    | \$ (378,940)   | \$ -                        | \$ (378,940)       |
| Parks and recreation                  | (261,515)  | -                           | (261,515)          |
| Public safety                         | (463,773)  | -                           | (463,773)          |
| Roads                                 | (1,492,723)  | -                           | (1,492,723)        |
| <b>Total governmental activities</b>  | <b>(2,596,951)</b>                                   | <b>-</b>                    | <b>(2,596,951)</b> |
| <b>Business-type activities:</b>      |  |                             |                    |
| Water                                 | -  | (622,784)                   | (622,784)          |
| Sewer                                 | -  | (79,848)                    | (79,848)           |
| Solid waste                           | -  | 33,543                      | 33,543             |
| <b>Total business-type activities</b> | <b>-</b>   | <b>(669,089)</b>            | <b>(669,089)</b>   |
| <b>Total primary government</b>       | <b>(2,596,951)</b>                                   | <b>(669,089)</b>            | <b>(3,266,040)</b> |
| <b>General revenues:</b>              |  |                             |                    |
| Property taxes                        | 830,718  | -                           | 830,718            |
| Gain on sale of assets                | 125,000  | -                           | 125,000            |
| Investment earnings                   | 68,715   | 66,572                      | 135,287            |
| <b>Total general revenues</b>         | <b>1,024,433</b>                                     | <b>66,572</b>               | <b>1,091,005</b>   |
| <b>Change in net position</b>         | <b>(1,572,518)</b>                                   | <b>(602,517)</b>            | <b>(2,175,035)</b> |
| <b>Net position:</b>                  |  |                             |                    |
| Beginning of year                     | 6,299,829  | 5,528,034                   | 11,827,863         |
| End of year                           | \$ 4,727,311   | \$ 4,925,517                | \$ 9,652,828       |

**STALLION SPRINGS COMMUNITY SERVICES DISTRICT**

*Balance Sheet – Governmental Funds*

*June 30, 2019*

| <b>Assets</b>                             | <b>General<br/>Government</b> | <b>Parks and<br/>Recreation</b> | <b>Public<br/>Safety</b> | <b>Roads</b>      | <b>Total<br/>Governmental<br/>Funds</b> |
|---|-------------------------------|---------------------------------|--------------------------|-------------------|---|
| <b>Assets:</b>                            |                               |                                 |                          |                   |   |
| Cash and investments                      | \$ 1,467,176                  | \$ 220,574                      | \$ 21,535                | \$ 453,351        | \$ 2,162,636                            |
| Accrued interest receivable               | 1,075                         | -                               | 172                      | 192               | 1,439                                   |
| Accounts receivable – services            | 412                           | -                               | -                        | -                 | 412                                     |
| Accounts receivable – other               | 2,848                         | -                               | -                        | -                 | 2,848                                   |
| Property taxes and assessments receivable | 747                           | -                               | 5,890                    | 2,465             | 9,102                                   |
| <b>Total assets</b>                       | <b>\$ 1,472,258</b>           | <b>\$ 220,574</b>               | <b>\$ 27,597</b>         | <b>\$ 456,008</b> | <b>\$ 2,176,437</b>                     |
| <b>Liabilities and Fund Balance</b>       |                               |                                 |                          |                   |   |
| <b>Liabilities:</b>                       |                               |                                 |                          |                   |   |
| Accounts payable and accrued expenses     | \$ 18,808                     | \$ 29,736                       | \$ 30,034                | \$ 11,718         | \$ 90,296                               |
| <b>Total liabilities</b>                  | <b>18,808</b>                 | <b>29,736</b>                   | <b>30,034</b>            | <b>11,718</b>     | <b>90,296</b>                           |
| <b>Fund balance: (note 8)</b>             |                               |                                 |                          |                   |   |
| Committed                                 | 20,927                        | 2,844                           | 47,720                   | 444,290           | 515,781                                 |
| Assigned                                  | -                             | 187,994                         | -                        | -                 | 187,994                                 |
| Unassigned                                | 1,432,523                     | -                               | (50,157)                 | -                 | 1,382,366                               |
| <b>Total fund balance</b>                 | <b>1,453,450</b>              | <b>190,838</b>                  | <b>(2,437)</b>           | <b>444,290</b>    | <b>2,086,141</b>                        |
| <b>Total liabilities and fund balance</b> | <b>\$ 1,472,258</b>           | <b>\$ 220,574</b>               | <b>\$ 27,597</b>         | <b>\$ 456,008</b> | <b>\$ 2,176,437</b>                     |

**STALLION SPRINGS COMMUNITY SERVICES DISTRICT**

*Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position  
June 30, 2019*

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|  |                            |
|--|----------------------------|
| <b>Total Fund Balances - Total Governmental Funds</b>  | <u>\$ 2,086,141</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   | 4,569,192                  |
| 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. | 227,500                    |
| 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:        |                            |
| Accrued interest payable   | (4,435)                    |
| Compensated absences   | (71,491)                   |
| Notes payable  | (1,373,608)                |
| Aggregate net pension liability  | (659,857)                  |
| 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>(46,131)</u>            |
| Total adjustments  | <u>2,641,170</u>           |
| <b>Net Position of Governmental Activities</b>   | <u><u>\$ 4,727,311</u></u> |

**STALLION SPRINGS COMMUNITY SERVICES DISTRICT**

*Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds  
For the Fiscal Year Ended June 30, 2019*

|  | General<br>Government | Parks and<br>Recreation | Public<br>Safety  | Roads              | Total<br>Governmental<br>Funds |
|--|-----------------------|-------------------------|-------------------|--------------------|--------------------------------|
| <b>Revenues:</b>                                   |                       |                         |                   |                    |                                |
| Taxes:   |                       |                         |                   |                    |                                |
| Property taxes                                     | \$ 157,464            | \$ 208,000              | \$ 465,254        | \$ -               | \$ 830,718                     |
| Special assessments                                | 3,697                 | -                       | 118,640           | 339,449            | 461,786                        |
| Charges for services                               | 39,358                | 86,035                  | 2,091             | 10,810             | 138,294                        |
| Federal and state aid                              | -                     | -                       | 148,747           | -                  | 148,747                        |
| Gain on sale of assets                             | 125,000               | -                       | -                 | -                  | 125,000                        |
| Investment earnings                                | 42,953                | 3,759                   | 2,612             | 19,391             | 68,715                         |
| <b>Total revenues</b>                              | <b>368,472</b>        | <b>297,794</b>          | <b>737,344</b>    | <b>369,650</b>     | <b>1,773,260</b>               |
| <b>Expenditures:</b>                               |                       |                         |                   |                    |                                |
| Current:   |                       |                         |                   |                    |                                |
| Salaries and benefits                              | 46,778                | 144,534                 | 563,693           | 73,312             | 828,317                        |
| Materials and services                             | 57,805                | 113,117                 | 87,248            | 72,075             | 330,245                        |
| Capital outlay                                     | 62,050                | 22,913                  | -                 | 1,646,518          | 1,731,481                      |
| Debt service:                                      |                       |                         |                   |                    |                                |
| Principal  | -                     | -                       | -                 | 126,392            | 126,392                        |
| Interest   | -                     | -                       | -                 | 56,250             | 56,250                         |
| <b>Total expenditures</b>                          | <b>166,633</b>        | <b>280,564</b>          | <b>650,941</b>    | <b>1,974,547</b>   | <b>3,072,685</b>               |
| <b>Excess of revenues over(under) expenditures</b> | <b>201,839</b>        | <b>17,230</b>           | <b>86,403</b>     | <b>(1,604,897)</b> | <b>(1,299,425)</b>             |
| <b>Other financing sources(uses):</b>              |                       |                         |                   |                    |                                |
| Operating transfers in/(out)                       | (8,333)               | -                       | 8,333             | -                  | -                              |
| <b>Change in fund balance</b>                      | <b>193,506</b>        | <b>17,230</b>           | <b>94,736</b>     | <b>(1,604,897)</b> | <b>(1,299,425)</b>             |
| <b>Fund balances:</b>                              |                       |                         |                   |                    |                                |
| Beginning of year                                  | 1,259,944             | 173,608                 | (97,173)          | 2,049,187          | 3,385,566                      |
| End of year  | <b>\$ 1,453,450</b>   | <b>\$ 190,838</b>       | <b>\$ (2,437)</b> | <b>\$ 444,290</b>  | <b>\$ 2,086,141</b>            |

**STALLION SPRINGS COMMUNITY SERVICES DISTRICT**

*Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes  
in Fund Balances to the Statement of Activities  
For the Fiscal Year Ended June 30, 2019*

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|  |                              |
|--|------------------------------|
| <b>Net Changes in Fund Balance - Total Governmental Funds</b>  | <u>\$ (1,299,425)</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:      |                              |
| Change in accred interest payable  | (4,435)                      |
| Change in compensated absences   | 17,303                       |
| Change in net pension expense  | 50,048                       |
| 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   | 1,731,481                    |
| Depreciation expense   | (2,193,882)                  |
| 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>126,392</u>               |
| <b>Total adjustments</b>   | <u>(273,093)</u>             |
| <b>Change in Net Position of Governmental Activities</b>   | <u><u>\$ (1,572,518)</u></u> |

## STALLION SPRINGS COMMUNITY SERVICES DISTRICT

### Balance Sheets – Proprietary Funds

June 30, 2019

| <b>ASSETS</b>  | <b>Water<br/>Operations</b> | <b>Sewer<br/>Operations</b> | <b>Solid Waste<br/>Operations</b> | <b>Total</b>        |
|--|-----------------------------|-----------------------------|-----------------------------------|---------------------|
| <b>Current assets:</b>   |                             |                             |                                   |                     |
| Cash and investments   | \$ 1,196,890                | \$ 245,225                  | \$ 441,099                        | \$ 1,883,214        |
| Accrued interest receivable  | 54                          | 6                           | -                                 | 60                  |
| Accounts receivable – services   | 135,397                     | 34,968                      | 26,416                            | 196,781             |
| Accounts receivable – other  | -                           | 9,733                       | -                                 | 9,733               |
| Property assessments receivable  | 467                         | 88                          | -                                 | 555                 |
| <b>Total current assets</b>  | <b>1,332,808</b>            | <b>290,020</b>              | <b>467,515</b>                    | <b>2,090,343</b>    |
| <b>Non-current assets:</b>   |                             |                             |                                   |                     |
| Capital assets – not being depreciated                                   | 808,000                     | -                           | -                                 | 808,000             |
| Capital assets – being depreciated, net                                  | 4,181,968                   | 192,433                     | 18,164                            | 4,392,565           |
| <b>Total non-current assets</b>  | <b>4,989,968</b>            | <b>192,433</b>              | <b>18,164</b>                     | <b>5,200,565</b>    |
| <b>Total assets</b>  | <b>6,322,776</b>            | <b>482,453</b>              | <b>485,679</b>                    | <b>7,290,908</b>    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                                    |                             |                             |                                   |                     |
| Pension related deferred outflows of resources                           | 76,493                      | 21,347                      | -                                 | 97,840              |
| <b>Total deferred outflows of resources</b>                              | <b>76,493</b>               | <b>21,347</b>               | <b>-</b>                          | <b>97,840</b>       |
| <b>Total assets and deferred outflows of resources</b>                   | <b>\$ 6,399,269</b>         | <b>\$ 503,800</b>           | <b>\$ 485,679</b>                 | <b>\$ 7,388,748</b> |
| <b>LIABILITIES</b>   |                             |                             |                                   |                     |
| <b>Current liabilities:</b>  |                             |                             |                                   |                     |
| Accounts payable and accrued expenses                                    | \$ 65,626                   | \$ 24,164                   | \$ 9,907                          | \$ 99,697           |
| Accrued interest payable   | 1,592                       | -                           | -                                 | 1,592               |
| Compensated absences   | 10,451                      | 4,734                       | -                                 | 15,185              |
| Notes payable  | 168,913                     | -                           | -                                 | 168,913             |
| <b>Total current liabilities</b>   | <b>246,582</b>              | <b>28,898</b>               | <b>9,907</b>                      | <b>285,387</b>      |
| <b>Non-current liabilities:</b>  |                             |                             |                                   |                     |
| Compensated absences   | 15,677                      | 7,101                       | -                                 | 22,778              |
| Notes payable  | 1,831,087                   | -                           | -                                 | 1,831,087           |
| Aggregate net pension liability  | 228,484                     | 63,762                      | -                                 | 292,246             |
| <b>Total non-current liabilities</b>                                     | <b>2,075,248</b>            | <b>70,863</b>               | <b>-</b>                          | <b>2,146,111</b>    |
| <b>Total liabilities</b>   | <b>2,321,830</b>            | <b>99,761</b>               | <b>9,907</b>                      | <b>2,431,498</b>    |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                     |                             |                             |                                   |                     |
| Pension related deferred inflows of resources                            | 24,809                      | 6,924                       | -                                 | 31,733              |
| <b>Total deferred inflows of resources</b>                               | <b>24,809</b>               | <b>6,924</b>                | <b>-</b>                          | <b>31,733</b>       |
| <b>NET POSITION</b>  |                             |                             |                                   |                     |
| Net investment in capital assets   | 2,989,968                   | 192,433                     | 18,164                            | 3,200,565           |
| Unrestricted   | 1,062,662                   | 204,682                     | 457,608                           | 1,724,952           |
| <b>Total net position</b>  | <b>4,052,630</b>            | <b>397,115</b>              | <b>475,772</b>                    | <b>4,925,517</b>    |
| <b>Total liabilities, deferred inflows of resources and net position</b> | <b>\$ 6,399,269</b>         | <b>\$ 503,800</b>           | <b>\$ 485,679</b>                 | <b>\$ 7,388,748</b> |

The notes to financial statements are an integral part of this statement.

**STALLION SPRINGS COMMUNITY SERVICES DISTRICT****Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund  
For the Fiscal Year Ended June 30, 2019**

|  | <b>Water<br/>Operations</b> | <b>Sewer<br/>Operations</b> | <b>Solid Waste<br/>Operations</b> | <b>Total</b>     |
|--|-----------------------------|-----------------------------|-----------------------------------|------------------|
| <b>Operating revenues:</b>             |                             |                             |                                   |                  |
| Water consumption sales                | \$ 916,545                  | \$ -                        | \$ -                              | \$ 916,545       |
| Sewer service charges                  | -                           | 253,092                     | -                                 | 253,092          |
| Solid waste collection charges         | -                           | -                           | 170,023                           | 170,023          |
| Special assessments                    | 87,604                      | 9,477                       | -                                 | 97,081           |
| Other charges for services             | -                           | 225                         | 564                               | 789              |
| <b>Total operating revenues</b>        | <b>1,004,149</b>            | <b>262,794</b>              | <b>170,587</b>                    | <b>1,437,530</b> |
| <b>Operating expenses:</b>             |                             |                             |                                   |                  |
| Operations                             | 1,059,931                   | 213,233                     | 124,308                           | 1,397,472        |
| <b>Total operating expenses</b>        | <b>1,059,931</b>            | <b>213,233</b>              | <b>124,308</b>                    | <b>1,397,472</b> |
| Operating income before depreciation   | (55,782)                    | 49,561                      | 46,279                            | 40,058           |
| Depreciation expense                   | (739,217)                   | (221,904)                   | (12,736)                          | (973,857)        |
| <b>Operating income(loss)</b>          | <b>(794,999)</b>            | <b>(172,343)</b>            | <b>33,543</b>                     | <b>(933,799)</b> |
| <b>Non-operating revenue(expense):</b> |                             |                             |                                   |                  |
| Investment earnings                    | 40,880                      | 9,502                       | 16,190                            | 66,572           |
| Interest expense                       | (12,611)                    | -                           | -                                 | (12,611)         |
| Transfer in/(out)                      | 4,175                       | (9)                         | (4,166)                           | -                |
| <b>Total non-operating, net</b>        | <b>32,444</b>               | <b>9,493</b>                | <b>12,024</b>                     | <b>53,961</b>    |
| <b>Capital contributions:</b>          |                             |                             |                                   |                  |
| Connection fees                        | 184,826                     | 92,495                      | -                                 | 277,321          |
| <b>Total capital contributions</b>     | <b>184,826</b>              | <b>92,495</b>               | <b>-</b>                          | <b>277,321</b>   |
| <b>Change in net position</b>          | <b>(577,729)</b>            | <b>(70,355)</b>             | <b>45,567</b>                     | <b>(602,517)</b> |
| <b>Net position:</b>                   |                             |                             |                                   |                  |
| Beginning of year                      | 4,630,359                   | 467,470                     | 430,205                           | 5,528,034        |
| End of year                            | \$ 4,052,630                | \$ 397,115                  | \$ 475,772                        | \$ 4,925,517     |