

FAIRBANKS RANCH COMMUNITY SERVICES DISTRICT

FINANCIAL STATEMENTS

JUNE 30, 2018

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Fairbanks Ranch Community Services District
Encinitas, California

We have audited the accompanying financial statements of Fairbanks Ranch Community Services District (the District) as of and for the year ended June 30, 2018, 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 the disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider internal control relevant to the District'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 District'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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fairbanks Ranch Community Services District as of June 30, 2018, and the respective changes in its financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, identified as Required Supplementary Information (RSI) in the accompanying table of contents, 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 RSI 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 RSI because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

White Nelson Diehl Evans LLP

Carlsbad, California
June 21, 2019

Fairbanks Ranch Community Services District

Management's Discussion and Analysis

Year Ended June 30, 2018

This section of the Fairbanks Ranch Community Services District's (the District) annual financial report presents an analysis of the District's financial performance during the fiscal year ended June 30, 2018. This information is presented in conjunction with the audited basic financial statements, which follows this section.

FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2017-2018

- The assets of the District exceeded liabilities at the close of the 2017-2018 fiscal year by \$6,302,907 (net position). Of this amount, \$2,773,723 (unrestricted net position) may be used to meet ongoing obligations to citizens and creditors and \$3,529,184 is invested in capital assets.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are composed of four components: statement of net position, statement of revenues, expenses, and change in net position, statement of cash flows, and notes to the financial statements.

REQUIRED BASIC FINANCIAL STATEMENTS

The Statement of Net Position presents information about all the District's assets and liabilities and provides information about the nature and amounts of investments in resources (Assets) and the obligations to District creditors (Liabilities). Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Position presents information on how net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. The state of revenues, expenses, and changes in net position measures the success of the District's operations over the past year and determines whether the District has recovered its costs through sewer services charges.

The Statement of Cash Flows provides information regarding the District's cash receipts and cash disbursements during the year. This statement may report cash activity in four categories: operations, capital and related financing, noncapital financing, and investing. This statement differs from the statement of revenues, expenses, and changes in net position because this statement only accounts for transactions that result in cash receipts of cash disbursements.

The financial statements mentioned above are reported on the books of the District as proprietary funds and are used to account for the District's sewer service. Sewer service charges are used to fund the ongoing operations of the District, including administrative, operations, treatment, collections, and acquisitions of capital assets.

The notes to the financial statements provide a description of the accounting policies used to prepare the financial statements and present material disclosures required by accounting principles generally accepted in the United States of America that are not otherwise present in the financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

Fairbanks Ranch Community Services District
Management's Discussion and Analysis (Continued)

Year Ended June 30, 2018

GOVERNMENT-WIDE FINANCIAL ANALYSIS

A summary of the District's statement of net position is presented below.

Condensed Statement of Net Position
Fiscal Year
Ended June 30, 2018

	2017	2018	Changes from 2017 to 2018	
			Amount	Percentage
Assets:				
Current Assets	\$ 3,064,014	\$ 2,938,245	\$ (125,769)	-4.1%
Capital Assets	3,564,049	3,529,184	(34,865)	-1.0%
Total Assets	6,628,063	6,467,429	(160,634)	-2.4%
Liabilities:				
Current	69,800	164,522	94,722	135.7%
Total Liabilities	69,800	164,522	94,722	135.7%
Net Position:				
Invested in capital assets	3,564,049	3,529,184	(34,865)	-1.0%
Unrestricted	2,994,214	2,773,723	(220,491)	-7.4%
Total Net Position	\$ 6,558,263	\$ 6,302,907	\$ (255,356)	-3.9%

The following is a brief explanation for the balance changes of the condensed statement of net position for the year ended June 30, 2018:

- Current assets decreased by \$125,769 largely due to a reduction in the sewer service charge from \$900 to \$800.
- The decrease in capital assets is owed largely to depreciation of \$225,722, offset by \$160,000 in additions.
- Total liabilities increased by \$94,722 due to accounts payable.
- The total net position of the District decreased by \$257,241 mainly due to depreciation and the \$100 reduction in the annual sewer service charge.

Fairbanks Ranch Community Services District
Management's Discussion and Analysis (Continued)

Year Ended June 30, 2018

A summary of the District's statement of revenues, expenses, and change in net position is presented below.

Condensed Statement of Revenues, Expenses, and Change in Net Position
Fiscal Year
Ended June 30, 2018

	2017	2018	Changes from 2017 to 2018	
			Amount	Percentage
Program Revenues:				
Charges for Services	\$ 615,440	\$ 548,452	\$ (66,988)	-10.9%
Total Program Revenues	<u>615,440</u>	<u>548,452</u>	<u>(66,988)</u>	<u>-10.9%</u>
General Revenues:				
Investment earnings	21,437	39,472	18,035	84.1%
Total General Revenues	<u>21,437</u>	<u>39,472</u>	<u>18,035</u>	<u>84.1%</u>
Total Revenue	<u>636,877</u>	<u>587,924</u>	<u>(48,953)</u>	<u>-7.7%</u>
Expenses:				
Sewer	744,129	843,280	99,151	13.3%
Total Expenses	<u>744,129</u>	<u>843,280</u>	<u>99,151</u>	<u>13.3%</u>
Changes in Net Position	(107,252)	(255,356)	(148,104)	-138.1%
Beginning Net Position	<u>6,665,515</u>	<u>6,558,263</u>	<u>(107,252)</u>	<u>1.6%</u>
Ending Net Position	<u>\$ 6,558,263</u>	<u>\$ 6,302,907</u>	<u>\$ (255,356)</u>	<u>-3.9%</u>

The following is a brief explanation for the balance changes of the Condensed Statement of Activities for the year ended June 30, 2018:

- There was a decrease of \$66,988 in charges for services due to a decrease in sewer service charges collected.
- Investment earnings increased by \$18,035 due to improved interest rates.
- Expenses increased mainly due to unexpected repair costs and landscape maintenance costs.

Fairbanks Ranch Community Services District
Management's Discussion and Analysis (Continued)

Year Ended June 30, 2018

CAPITAL ASSETS

The District's capital assets are composed of sewer lines, pump stations, force mains, and the treatment plant. The District currently operates and maintains two sewer pump stations and approximately 16 miles of pipeline. Annual depreciation is calculated using the straight-line method over the estimated useful lives of the capital assets. Actual repairs, upgrades, or replacements to capital assets are based upon a review of an asset's physical conditions, as well as its expected useful life.

	Balance at June 30, 2017	Additions	Deletions and Completed Construction	Balance at June 30, 2018
Capital Assets, not being depreciated:				
Land	\$ 1,121,000	\$ -	\$ -	\$ 1,121,000
Construction in progress	-	30,864	-	30,864
Subtotal	1,121,000	30,864	-	1,151,864
Capital Assets, being depreciated:				
Structures and improvements	5,458,308	-	-	5,458,308
Equipment	2,054,301	159,993	-	2,214,294
Service vehicle	18,423	-	-	18,423
Subtotal	7,531,032	159,993	-	7,691,025
Less Accumulated Depreciation	(5,087,983)	(225,722)	-	(5,313,705)
Net Capital Assets, being depreciated	2,443,049	(65,729)	-	2,377,320
Net Capital Assets	\$ 3,564,049	\$ (34,865)	\$ -	\$ 3,529,184

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The current economy does not have a significant effect on the District's finances due to the relative affluence of the area.

ADDITIONAL FINANCIAL INFORMATION

This financial report is designed to provide the District's customers, investors and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact Chuck Duffy at the Fairbanks Ranch Community Services District at 605 Third Street, Encinitas, CA 92024. He can be reached at 760-479-4125.

BASIC FINANCIAL STATEMENTS

**FAIRBANKS RANCH
COMMUNITY SERVICES DISTRICT**

STATEMENT OF NET POSITION

June 30, 2018

ASSETS

Current Assets:

Cash and cash equivalents	\$	2,893,012
Accounts receivable		17,796
Interest receivable		13,182
Prepaid insurance		14,255
Total Current Assets		<u>2,938,245</u>

Noncurrent Assets:

Capital assets, not being depreciated		1,151,864
Capital assets, net of accumulated depreciation		2,377,320
Total Noncurrent Assets		<u>3,529,184</u>

TOTAL ASSETS 6,467,429

LIABILITIES

Current Liabilities:

Accounts payable and accrued liabilities		<u>164,522</u>
Total Current Liabilities		<u>164,522</u>

TOTAL LIABILITIES 164,522

NET POSITION

Investment in capital assets		3,529,184
Unrestricted		<u>2,773,723</u>

TOTAL NET POSITION \$ 6,302,907

**FAIRBANKS RANCH
COMMUNITY SERVICES DISTRICT**

STATEMENT OF REVENUES, EXPENSES, AND
CHANGE IN NET POSITION

For the year ended June 30, 2018

OPERATING REVENUES	
Sewer service charges	\$ 548,452
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Total Operating Revenues	548,452
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OPERATING EXPENSES	
Sewage collection and treatment	516,807
General and administrative	100,751
Depreciation	225,722
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Total Operating Expenses	843,280
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OPERATING LOSS	(294,828)
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NONOPERATING REVENUES	
Investment earnings	39,472
	<hr/>
Total Nonoperating Revenues	39,472
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Change In Net Position	(255,356)
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Net position at beginning of year	6,558,263
	<hr/>
Net position at end of year	\$ 6,302,907
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**FAIRBANKS RANCH
COMMUNITY SERVICES DISTRICT**

STATEMENT OF CASH FLOWS

For the year ended June 30, 2018

Cash Flows from Operating Activities:	
Cash receipts from customers	\$ 550,366
Cash payments for services and supplies	(523,387)
Net Cash Provided by Operating Activities	<u>26,979</u>
Cash Flows from Capital and Related Financing Activities:	
Acquisition of capital assets	(190,857)
Net Cash Used by Capital and Related Financing Activities	<u>(190,857)</u>
Cash Flows from Investing Activities:	
Interest received	33,030
Net Cash Provided by Investing Activities	<u>33,030</u>
Net Decrease in Cash and Cash Equivalents	(130,848)
Cash and cash equivalents at beginning of year	<u>3,023,860</u>
Cash and cash equivalents at end of year	<u>\$ 2,893,012</u>
Reconciliation of Operating Loss to Net Cash Flows Used by Operating Activities:	
Operating loss	<u>\$ (294,828)</u>
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:	
Depreciation	225,722
Changes in operating assets and liabilities:	
(Increase) decrease in accounts receivable	1,914
(Increase) decrease in prepaid insurance	(551)
Increase (decrease) in accounts payable	94,722
Total Adjustments	<u>321,807</u>
Net Cash Provided by Operating Activities	<u>\$ 26,979</u>

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Reporting Entity

The Fairbanks Ranch Community Services District (the District) was formed in 1987 as the result of a reorganization involving the dissolution of the Fairbanks Ranch Sanitation District (FRSD). As a successor agency, the District encompasses the boundaries of the FRSD. The service boundary encompasses over 1,200 acres located near the intersection of San Dieguito Road and El Apajo Road and serves approximately 610 homes, along with the Fairbanks Plaza, the Solana Santa Fe Elementary School, Fairbanks Ranch Association and the Fairbanks Ranch Fire Station. Sewer services are funded by an annual sewer service charge levied on each parcel receiving sewer service.

b. Measurement focus, basis of accounting, and financial statement presentation

Measurement focus is a term used to describe which transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus applied. The accompanying financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the economic measurement focus, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources (whether current or noncurrent) associated with these activities are included on the statement of net position. The statement of revenues, expenses, and changes in net position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The accounts of the District are that of an enterprise fund. An enterprise fund is a proprietary type fund used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

c. New Accounting Pronouncements

Current-Year Standards

Governmental Accounting Standards Board (GASB) Statement No. 75 - *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which is effective for periods starting after June 15, 2017, establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses for postemployment benefits other than pension, and did not impact the District.

GASB Statement No. 82 - *Pension Issues*, effective for periods beginning after June 15, 2016, except for certain provisions on selection of assumptions, which are effective in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017, and did not impact the District.

GASB Statement No. 85 - *Omnibus 2017*, effective for periods beginning after June 15, 2017, and did not impact the District.

GASB Statement No. 86 - *Certain Debt Extinguishment Issues*, effective for periods beginning after June 15, 2017, and did not impact the District.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d. New Accounting Pronouncements (Continued)

GASB Pending Accounting Standards

GASB 83 - *Certain Asset Retirement Obligations*, effective for periods beginning after June 15, 2018.

GASB 84 - *Fiduciary Activities*, effective for periods beginning after December 15, 2018.

GASB 87 - *Leases*, effective for periods beginning after December 15, 2019.

GASB 88 - *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, effective for periods beginning after June 15, 2018.

GASB 89 - *Accounting for Interest Cost Incurred before the End of a Construction Period*, effective for periods beginning after December 15, 2019.

GASB 90 - *Majority Equity Interests - an amendment of GASB Statements No. 14 and No. 61*, effective for periods beginning after December 15, 2018.

e. Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents have been defined as demand deposits and highly liquid investments with an original maturity of 90 days or less. Cash includes amounts in demand and time deposits. Investments are stated at fair value (quoted market price or best available estimate thereof, see Note 2).

f. Investments

Investments are reported in the accompanying financial statements at fair value. Changes in fair value that occur during a fiscal year are recognized as income from property and investments reported for that fiscal year. Income from property and investments includes interest earnings, changes in fair value, and any gains or losses realized upon liquidation, maturity, or sale of investments. There are no significant differences between fair value and cost at June 30, 2018.

g. Receivables and Payables

Management estimates all receivables at June 30, 2018, to be collectible, as any receivables deemed uncollectible have been written off.

h. Claims and Judgments

When it is probable that a claim liability has been incurred at year-end, and the amount of the loss can be reasonably estimated, the District records the estimated loss, net of any insurance coverage. At June 30, 2018, in the opinion of the District's counsel, the District had no material unreported claims that would require a loss provision in the financial statements, including losses for claims that are incurred but not reported. Small dollar claims and judgments are recorded as expenditures when paid, if any.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i. Capital Assets

Capital assets have an estimated useful life greater than one year and have a cost greater than \$5,000. Capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Construction-in-progress costs are capitalized and transferred to their respective fixed asset category upon completion of the project.

Depreciation is charged to operations using the straight-line method based on the estimated useful life of an asset. Land and construction in progress are not depreciated.

Structures and improvements	15-50 years
Equipment	3-20 years

Depreciation for the District totaled \$225,722 at June 30, 2018.

j. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. The District does not have any items that qualify for reporting in this category as of June 30, 2018.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The District does not have any items that qualify for reporting in this category as of June 30, 2018.

k. Net Position

In the statement of net position, net position is classified in the following categories:

Net investment in capital assets - This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

Restricted net position - This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted net position - This amount is all net position that does not meet the definition of net investment in capital assets or restricted net position.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l. Net Position Flow of Assumptions

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the statement of net position, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the District's practice to consider restricted - net position to have been depleted before unrestricted - net position is applied.

m. Operating Revenues and Expenses

Operating revenues, such as charges for services (sewer service charges), result from exchange transactions associated with the principal activity of the District. Nonoperating revenues, such as investment income, result from nonexchange transactions or ancillary activities in which the District receives value without directly giving equal value in exchange.

Operating expenses include the costs of providing sewer, and related services, administrative expenses, and depreciation on capital assets. All expenses not meeting this definition are reported as nonoperating expenses.

n. Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

NOTE 2 - CASH AND INVESTMENTS

Cash and cash equivalents as of June 30, 2018, consist of the following:

Deposits with financial institutions	\$ 32,657
Investments in Local Agency Investment Fund	<u>2,860,355</u>
Total cash and investments	<u>\$ 2,893,012</u>

Investments Authorized by the California Government Code

The California Government Code authorizes the District to invest in certain types of investments.

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

The table below identifies these investment types and the related maximum percentages by the California Government Code. The table also identifies certain provisions of the California Government Code that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
US Treasury Securities	5 years	None	None
US Government-Sponsored Agency Securities	5 years	50%	30%
Banker's Acceptance	180 days	40%	5%
Commercial Paper	270 days	25%	5%
Negotiable Certificates of Deposit	5 years	30%	5%
Repurchase Agreements	30 days	None	5%
Medium-Term Notes	5 years	None	5%
Receivable-Back Securities	5 years	20%	5%
Money Market Mutual Funds	N/A	20%	10%
Local Agency Investment Fund	N/A	None	None

N/A - Not Applicable

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity as necessary to provide the cash flow and liquidity needed for operations. At June 30, 2018, District's investments in the Local Agency Investment Fund (LAIF) have a maturity of less than one year.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. At June 30, 2018, the District's investment in LAIF is not rated.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure the District's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. At June 30, 2018, the District's deposits of \$68,247 are covered by the Federal Deposit Insurance Corporation.

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

California Local Agency Investment Fund

The District is a voluntary participant in LAIF that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized basis.

Fair Value Measurements

The District categorizes its fair value measurement within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the relative inputs used to measure the fair value of the investments. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The District's investments in LAIF are not subject to the fair value hierarchy.

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018, was as follows:

	Balance at June 30, 2017	Additions	Deletions and Completed Construction	Balance at June 30, 2018
Capital Assets, not being depreciated:				
Land	\$ 1,121,000	\$ -	\$ -	\$ 1,121,000
Construction in progress	-	30,864	-	30,864
Subtotal	1,121,000	30,864	-	1,151,864
Capital Assets, being depreciated:				
Structures and improvements	5,458,308	-	-	5,458,308
Equipment	2,054,301	159,993	-	2,214,294
Service vehicle	18,423	-	-	18,423
Subtotal	7,531,032	159,993	-	7,691,025
Less Accumulated Depreciation	(5,087,983)	(225,722)	-	(5,313,705)
Net Capital Assets, being depreciated	2,443,049	(65,729)	-	2,377,320
Net Capital Assets	\$ 3,564,049	\$ (34,865)	\$ -	\$ 3,529,184

NOTE 4 - COMMERCIAL INSURANCE POLICY

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District purchases commercial insurance for its exposure to risk. The District is insured against claims and judgments for general, automobile liability, and public officials and management liability (up to \$1,000,000 per occurrence). Property insurance was purchased with coverage of up to \$4,130,000, subject to a \$1,000 deductible. The District has also purchased excess liability insurance (up to \$10,000,000 per occurrence). Settled claims have not exceeded any of the District's coverage amounts in any of the last three fiscal years, and there were no significant reductions in the District's insurance coverage during the year ended June 30, 2018. The District's insurance coverage also includes inland marine, unscheduled equipment, scheduled equipment, and excess liability. There is no deductible on the general liability insurance. There are varying deductibles between \$500 and \$1,000 for automobile and miscellaneous coverage.

NOTE 5 - CONTINGENCIES

Litigation

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

NOTE 6 - SUBSEQUENT EVENTS

Events occurring after June 30, 2018, have been evaluated for possible adjustments to the financial statements or disclosures as of June 21, 2019, which is the date these financial statements were available to be issued.