

Rossmoor Community Services District

**Financial Statements
and
Independent Auditor's Report**

For the Year Ended

June 30, 2021

Rossmoor Community Services District

**Financial Statements with Independent Auditor's Report
June 30, 2021**

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ROGERS, ANDERSON, MALODY & SCOTT, LLP
CERTIFIED PUBLIC ACCOUNTANTS, SINCE 1948

Independent Auditor's Report

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Board of Directors
Rossmoor Community Services District
Rossmoor, California

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Rossmoor Community Services District (the District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America, as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *State Controller's Minimum Audit Requirements for California Special Districts*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The District's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

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In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Management has omitted the *Management's Discussion and Analysis* that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinions on the basic financial statements are not affected by this missing information.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 4, 2021, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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.

Rogers, Anderson, Malody & Scott, LLP.

San Bernardino, California
October 4, 2021

Rossmoor Community Services District

Government-Wide Financial Statements

Statement of Net Position

June 30, 2021

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 1,283,458
Receivables:	
Accounts	60,000
Taxes	18,876
Interest	921
Capital assets not being depreciated	2,866,408
Capital assets being depreciated, net	<u>1,382,728</u>
 Total assets	 <u>5,612,391</u>
LIABILITIES	
Accounts payable	76,140
Deposits	3,215
Compensated absences - due within one year	28,804
Compensated absences - due in more than one year	<u>8,604</u>
 Total liabilities	 <u>116,763</u>
NET POSITION	
Investment in capital assets	4,249,136
Unrestricted	<u>1,246,492</u>
 Total net position	 <u><u>\$ 5,495,628</u></u>

The accompanying notes are an integral part of these financial statements.

Rossmoor Community Services District

Government-Wide Financial Statements
Statement of Activities
For the Year Ended June 30, 2021

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	<u>Net Governmental Activities</u>
Governmental activities:			
General government	\$ 895,419	\$ -	\$ (895,419)
Public services	283,271	60,000	(223,271)
Parks and recreation	508,395	123,335	(385,060)
Interest	<u>269</u>	<u>-</u>	<u>(269)</u>
Total governmental activities	<u>\$ 1,687,354</u>	<u>\$ 183,335</u>	<u>(1,504,019)</u>
	General revenues:		
	Taxes:		
	Property		1,098,769
	Special assessments		381,240
	Investment income		4,982
	Other		<u>34,257</u>
	Total general revenues		<u>1,519,248</u>
	Change in net position		15,229
	Net Position:		
	Beginning of year		<u>5,480,399</u>
	End of year		<u>\$ 5,495,628</u>

The accompanying notes are an integral part of these financial statements.

Rossmoor Community Services District

Governmental Funds Financial Statements

Balance Sheet

June 30, 2021

	<u>General</u>	<u>Capital Projects</u>	<u>Total</u>
	<u>Fund 10</u>	<u>Contributions</u>	<u>Governmental</u>
		<u>Fund 40</u>	<u>Funds</u>
ASSETS			
Cash and investments	\$ 1,283,458	\$ -	\$ 1,283,458
Receivables:			
Accounts	60,000	-	60,000
Taxes	18,876	-	18,876
Interest	921	-	921
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 1,363,255</u>	<u>\$ -</u>	<u>\$ 1,363,255</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 76,140	\$ -	\$ 76,140
Deposits	3,215	-	3,215
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>79,355</u>	<u>-</u>	<u>79,355</u>
Fund balances:			
Unassigned	1,283,900	-	1,283,900
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>1,283,900</u>	<u>-</u>	<u>1,283,900</u>
Total liabilities and fund balances	<u>\$ 1,363,255</u>	<u>\$ -</u>	<u>\$ 1,363,255</u>

The accompanying notes are an integral part of these financial statements.

Rossmoor Community Services District

**Governmental Funds Financial Statements
Reconciliation of the Balance Sheet of Governmental Funds
to the Government-Wide Statement of Net Position
June 30, 2021**

Fund balances of governmental funds \$ 1,283,900

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 4,249,136

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Compensated absences (37,408)

Net position of governmental activities \$ 5,495,628

The accompanying notes are an integral part of these financial statements.

Rossmoor Community Services District

Governmental Funds Financial Statements

**Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2021**

	General <i>Fund 10</i>	<u>Capital Projects</u> Capital Projects Contributions <i>Fund 40</i>	Total Governmental Funds
REVENUES			
Taxes	\$ 1,098,769	\$ -	\$ 1,098,769
Special assessments	381,240	-	381,240
Intergovernmental	60,000	-	60,000
Charges for services	123,335	-	123,335
Investment income	4,982	-	4,982
Other	34,257	-	34,257
Total revenues	<u>1,702,583</u>	<u>-</u>	<u>1,702,583</u>
EXPENDITURES			
Current:			
General government	897,329	-	897,329
Public services	283,271	-	283,271
Parks and recreation	294,456	-	294,456
Capital outlay	63,136	-	63,136
Debt service:			
Principal	7,177	-	7,177
Interest	269	-	269
Total expenditures	<u>1,545,638</u>	<u>-</u>	<u>1,545,638</u>
Excess of revenues over (under) expenditures	<u>156,945</u>	<u>-</u>	<u>156,945</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	47,349	-	47,349
Transfers out	-	(47,349)	(47,349)
Total other financing sources (uses)	<u>47,349</u>	<u>(47,349)</u>	<u>-</u>
Net change in fund balances	204,294	(47,349)	156,945
FUND BALANCES			
Beginning of year	<u>1,079,606</u>	<u>47,349</u>	<u>1,126,955</u>
End of year	<u>\$ 1,283,900</u>	<u>\$ -</u>	<u>\$ 1,283,900</u>

The accompanying notes are an integral part of these financial statements.

Rossmoor Community Services District

Governmental Funds Financial Statements

**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
Balances of Governmental Funds to the Government-Wide Statement of Activities
For the Year Ended June 30, 2021**

Net change in fund balances - total governmental funds \$ 156,945

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense or are allocated to the appropriate functional expense when the cost is below the capitalization threshold. This is the amount by which depreciation expense (\$162,286) exceeded capitalized capital outlay (\$41,680) in the current period, adjusted for the net effect of disposition of capital assets (\$30,962). (151,568)

Repayment of the principal of long-term debt was an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Government-Wide Statement of Net Position.

Principal payments on loan payable 7,177

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Decrease in compensated absences 2,675

Change in net position of governmental activities \$ 15,229

The accompanying notes are an integral part of these financial statements.

Rossmoor Community Services District

Fiduciary Funds Financial Statements
Statement of Fiduciary Net Position
June 30, 2021

	Custodial Fund <i>Fund 50</i>
ASSETS	\$ -
LIABILITIES	\$ -
NET POSITION	\$ -

The accompanying notes are an integral part of these financial statements.

Rossmoor Community Services District

**Fiduciary Funds Financial Statements
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2021**

	<u>Custodial Fund</u> <u>Fund 50</u>
ADDITIONS	<u>\$ -</u>
DEDUCTIONS	
Payments to bondholders	<u>482,093</u>
Total deductions	<u>482,093</u>
Net decrease in fiduciary net position	(482,093)
NET POSITION	
Beginning of year	<u>482,093</u>
End of year	<u><u>\$ -</u></u>

The accompanying notes are an integral part of these financial statements.

Rossmoor Community Services District

Notes to Basic Financial Statements For the Year Ended June 30, 2021

Note 1 – Summary of Significant Accounting Policies

A. Reporting Entity

On November 4, 1986, the territory of the unincorporated Rossmoor Community approved the order adopted on June 25, 1986 by the Board of Supervisors of the County of Orange ordering a reorganization resulting in the formation of the Rossmoor Community Services District (the District). The District was formed to acquire, provide and maintain public recreation facilities and services, street lighting, and, subject to the consent of the County of Orange, installation and maintenance of median landscaping, aesthetic trimming of parkway trees, and street sweeping.

Upon formation on January 1, 1987, the District assumed responsibility for the various services formerly provided by Community Service Area Number 21 and assumed all assets and liabilities, including real property, from Community Service Area Number 21.

The District is governed by a five member Board of Directors elected by the registered voters within the District boundaries.

B. Basis of Presentation

Financial statement presentation follows the recommendations promulgated by the Governmental Accounting Standards Board (“GASB”) commonly referred to as accounting principles generally accepted in the United States of America (“GAAP”). GASB is the accepted standards-setting body for establishing governmental accounting and financial reporting standards.

C. Measurement Focus and Basis of Accounting

Government-wide Financial Statements

The government-wide financial statements include a statement of net position and a statement of activities. These statements report information of all nonfiduciary activities of the primary government.

The government-wide financial statements are reported using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all of the District’s assets, liabilities, including capital assets and long-term liabilities, are included in the accompany statement of net position. The statement of activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned (i.e. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.). Expenses are recognized in the period when the liability is incurred, regardless of the timing of the related cash flows.

Rossmoor Community Services District

Notes to Basic Financial Statements For the Year Ended June 30, 2021

Note 1 – Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

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

Governmental Fund Financial Statements

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances. An accompanying schedule is presented to reconcile and explain the differences in Fund Balance as presented in these statements to the Net Position presented in the Government-wide Financial Statements. The District presented all funds as major funds.

Governmental fund financial statements are reported using the “current financial resources” measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds.

Property taxes, special assessments, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal year. All other revenue items are considered to be measurable and available only when cash is received by the District.

Rossmoor Community Services District

Notes to Basic Financial Statements For the Year Ended June 30, 2021

Note 1 – Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

The District reports the following major governmental funds:

The **General Fund** is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. The general operating expenses not paid through other funds are paid from this fund. This fund correlates with Fund 10 in the District's annual budget.

The **Capital Projects Contributions Fund** is used for the financing and construction of the District's public facilities. This fund correlates with Fund 40 in the District's annual budget, and the fund was closed during the year.

Additionally, the District reports the following fund types:

Fiduciary Fund:

The **Custodial Fund** is used to account for assets held by the District as a custodian for other parties and agencies. The assets held are related to the series 1993 park improvement bonds, which are the liability of the property owners and are secured by liens against the assessed properties. This fund correlates with Fund 50 in the District's annual budget, and the fund was closed during the year upon repayment of the bonds.

Certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements.

D. Property Taxes

Property taxes and special assessments associated with the current fiscal year are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal year. Property taxes attach as an enforceable lien on property. Secured and unsecured property taxes are levied on July 1st. The unsecured and secured property tax lien date is January 1st. Unsecured property taxes become delinquent on August 31st. Secured property taxes are payable in two installments, on November 1st and February 1st of each year, become delinquent on December 10th and April 10th, respectively. The County of Orange bills and collects the property taxes and remits them to the District according to a payment schedule established by the County. Property tax revenues are recognized when received in cash except at year-end when they are accrued pursuant to the modified accrual basis of accounting. The County is permitted by State law to levy property taxes at 1% of full market value (at the time of purchase) and can increase property assessed value no more than 2% per year.

Rossmoor Community Services District

Notes to Basic Financial Statements For the Year Ended June 30, 2021

Note 1 – Summary of Significant Accounting Policies (Continued)

E. Cash, Cash Equivalents, and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The District is a voluntary participant in an investment pool managed by the State of California titled Local Agency Investment Fund (LAIF) which has invested a portion of the pooled funds in Structured Notes and Assets-Backed Securities. LAIF's investments are subject to credit risk with full faith and credit of the State of California collateralizing these investments. In addition, these Structured Notes and Asset-Backed Securities are subject to market risk as to changes in interest rates.

Certain disclosures requirements for deposits and investment risks were made in the following area:

- Interest rate risk
- Credit risk
 - Overall
 - Custodial credit risk
 - Concentration of credit risk

F. Receivables

All receivables are shown net of an allowance for doubtful accounts.

G. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental activities columns in the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are valued at the acquisition value of the assets on the date on which they were contributed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. The District utilizes a capitalization threshold of \$5,000 and an estimated useful life in excess of two years.

Depreciation is recorded on a straight-line basis over the following estimated useful lives:

Buildings and structures	7 – 40 years
Computer equipment	3 – 7 years
Motorized vehicles	5 – 10 years

Rossmoor Community Services District

Notes to Basic Financial Statements For the Year Ended June 30, 2021

Note 1 – Summary of Significant Accounting Policies (Continued)

H. Long-term liabilities

In the government-wide financial statements, long-term liabilities are reported as liabilities in the applicable governmental activities statement of net position. Issuance costs are expensed when incurred.

I. Compensated Absences

Full-time District employees earn twelve sick leave days per year and ten to twenty vacation days per year depending on years of service. Part-time employees earn sick and vacation days at a pro-rated amount. Vacation days can only be used after one year of employment. Upon termination, the District is obligated to compensate employees for 100% of the accrued vacation time, and up to 80 hours of unused sick leave. Compensated absences are recorded in the long-term liabilities in the statement of net position.

J. Net Position

In government-wide financial statements, net position is classified in the following categories:

Investment in capital assets – This component of net position consists of capital assets, net of accumulated depreciation

Restricted – This component of net position consists of restricted assets reduced by liabilities related to those assets

Unrestricted – This component of net position is the amount of the assets, liabilities that are not included in the determination of investment in capital assets or the restricted component of net position

K. Fund Balances

Nonspendable – amounts that are not in a spendable form (such as prepaids and deposits) or are required to be maintained intact.

Restricted – amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions or by enabling legislation.

Committed – amounts constrained to specific purposes by a government itself, using the highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint.

Rossmoor Community Services District

Notes to Basic Financial Statements For the Year Ended June 30, 2021

Note 1 – Summary of Significant Accounting Policies (Continued)

K. Fund Balances (Continued)

Assigned – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.

Unassigned – amounts that are for any purpose; positive amounts are reported only in a general fund.

L. Spending Policy

For government-wide financial statements, when an expense is incurred for purposes for which both restricted and unrestricted net position are available, the District's policy is to apply restricted net position first.

For governmental fund financial statements, when expenditures are incurred for purposes where only unrestricted fund balances are available, the District's policy is to apply the unrestricted resources in the following order: committed, assigned, and unassigned.

M. Revenues

Property taxes and special assessments are collected by the County of Orange on behalf of the District and remitted to the District at various times during the year. Reimbursements from the State and the County are presented as intergovernmental revenues. Charges for services revenues represent fees collected for the use of District facilities. Investment income is derived from interest earnings and fair market value adjustments of the District's financial assets that are maintained in various investment types. Revenues not classified in one of the categories above are presented as other revenues.

Intergovernmental revenue for the year ended June 30, 2021 consists of County street sweeping reimbursements of \$60,000. These intergovernmental revenues are presented as program revenues under the public services function/program in the statement of activities.

N. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

O. Implementation of New Pronouncement

The District implemented GASB Statement No. 84, *Fiduciary Activities*. The principal objective of this Statement is to enhance the consistency and comparability of fiduciary activity reporting by state and local governments.

Rossmoor Community Services District

Notes to Basic Financial Statements For the Year Ended June 30, 2021

Note 2 – Stewardship, Compliance and Accountability

A. Budgetary Data

Budgets for the General Fund and the Capital Projects Fund are prepared, approved and adopted in accordance with Section 61110 of the government code. Budgetary control is maintained at the total expenditure level of each fund. Unexpended and unencumbered appropriations of the governmental funds automatically lapse at the end of the fiscal year for noncapital projects. Any deficiency of budgeted revenues compared to budgeted expenditures is financed from beginning unrestricted fund balance. During the fiscal year, several nominal supplementary appropriations were necessary.

B. Excess of Expenditures Over Appropriations

For the year ended June 30, 2021, expenditures in excess of appropriations (legally adopted annually budget) are as follows.

<u>Fund</u>	<u>Expenditures</u>	<u>Appropriations</u>	<u>Excess</u>
General Fund	\$ 1,545,638	\$ 1,493,335	\$ 52,303

Note 3 – Cash and Investments

Cash and investments as of June 30, 2021 consist of the following.

Cash on hand	\$ 400
Demand deposits	199,052
Local Agency Investment Fund	<u>1,084,006</u>
Total cash and investments	<u>\$ 1,283,458</u>

Investments Authorized by the California Government Code and the District's Investment Policy

The following table identifies the investment types that are authorized by the District's investment policy. The table also identifies certain provisions of the District's investment policy that address interest rate risk, credit risk and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District's investment policy.

Rossmoor Community Services District

Notes to Basic Financial Statements For the Year Ended June 30, 2021

Note 3 – Cash and Investments (Continued)

Investments Authorized by the California Government Code and the District's Investment Policy (Continued)

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Securities, Notes and Bonds	5 Years	25%	\$250,000
Federal Agency or U.S. Government Securities	5 Years	25%	\$250,000
California State Bonds, Warrants and Treasury Notes	5 Years	25%	\$250,000
California Local Agency Investment Fund	N/A	100%	\$75 Million
Orange County Treasury	N/A	25%	None
Medium-Term U.S. Corporate Bonds or Notes	5 Years	25%	\$250,000
Bankers Acceptances	6 Months	25%	\$250,000
Certificates of Deposit	2 Years	25%	\$250,000

Local Agency Investment Fund

The District is a participant in LAIF which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The District's investments in LAIF at June 30, 2021 included a portion of pool funds invested in Structure Notes and Asset-Backed Securities:

Structured Notes are debt securities (other than asset-backed securities) whose cash-flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

Asset-Backed Securities, the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from pool of assets such as principal and interest repayments from a pool of mortgages (such as Collateralized Mortgage Obligations) or credit card receivables.

As of June 30, 2021, the District had \$1,084,006 invested in LAIF, which had invested 2.31% of the pool investment funds in Structured Notes and Asset-Back Securities. LAIF determines market value on its investment portfolio based on market quotations for those securities where market quotations are readily available and based on amortized cost or best estimate for those securities where market value is not readily available. The District's investment in LAIF is reported at amortized cost at June 30, 2021. All investments with LAIF are secured by the full faith and credit of the State of California. Separate LAIF financial statements are available from the California State Treasurer's Office on the Internet at <http://www.treasurer.ca.gov>.

Rossmoor Community Services District

Notes to Basic Financial Statements For the Year Ended June 30, 2021

Note 3 – Cash and Investments (Continued)

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 evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the District's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity:

<u>Investment Type</u>	<u>Total</u>	<u>12 months or less</u>	<u>12 months or more</u>
Local Agency Investment Fund	\$ 1,084,006	\$ 1,084,006	\$ -

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. Presented below is the minimum rating required by (where applicable) the District's investment policy or debt agreements, and the actual rating as of year-end for each investment type.

<u>Investment Type</u>	<u>Total</u>	<u>Minimum Legal Rating</u>	<u>Rating as of Year End</u>
Local Agency Investment Fund	\$ 1,084,006	N/A	Not rated

Rossmoor Community Services District

Notes to Basic Financial Statements For the Year Ended June 30, 2021

Note 3 – Cash and Investments (Continued)

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The District's investment policy limits investments in certificates of deposit and corporate notes from one issuer to \$250,000. All other authorized deposits are subject to the following provision: 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 governmental agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2021, the District did not have deposits with financial institutions in excess of federal depository insurance limits.

Fair Value of Investments

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

- Level 1 – Inputs are unadjusted, quoted prices for identical assets and liabilities in active markets at the measurement date
- Level 2 – Inputs, other than quoted prices included in Level 1, that are observable for the asset or liability through corroboration with market data at the measurement date.
- Level 3 – Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the assets or liability at the measurement date.

Investments in the Local Agency Investment Fund (LAIF) are not subject to classification in the fair value hierarchy.

Rossmoor Community Services District

**Notes to Basic Financial Statements
For the Year Ended June 30, 2021**

Note 4 – Capital Assets

A summary of changes in capital assets activity for the District's governmental activities for the year ended June 30, 2021 is as follows.

	Balance at June 30, 2020	Increases	Decreases	Balance at June 30, 2021
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 2,861,158	\$ -	\$ -	\$ 2,861,158
Construction in progress	10,762	-	(5,512)	5,250
 Total capital assets, not being depreciated	 2,871,920	 -	 (5,512)	 2,866,408
Capital assets, being depreciated:				
Buildings and structures	4,541,171	47,192	(91,740)	4,496,623
Computer Equipment	5,353	-	-	5,353
Motorized vehicles	59,703	-	-	59,703
 Total capital assets, being depreciated	 4,606,227	 47,192	 (91,740)	 4,561,679
Less accumulated depreciation for:				
Buildings and structures	(3,045,778)	(157,012)	60,778	(3,142,012)
Computer Equipment	(319)	(765)	-	(1,084)
Motorized vehicles	(31,346)	(4,509)	-	(35,855)
 Total accumulated depreciation	 (3,077,443)	 (162,286)	 60,778	 (3,178,951)
 Total capital assets, being depreciated, net	 1,528,784	 (115,094)	 (30,962)	 1,382,728
 Governmental activities capital assets, net	 <u>\$ 4,400,704</u>	 <u>\$ (115,094)</u>	 <u>\$ (36,474)</u>	 <u>\$ 4,249,136</u>

Depreciation expense was charged to the following functions/programs in the statement of activities.

General government	\$ 765
Parks and recreation	<u>161,521</u>
	<u>\$ 162,286</u>

Rossmoor Community Services District

Notes to Basic Financial Statements For the Year Ended June 30, 2021

Note 5 – Long-Term Liabilities

A summary of changes in long-term liabilities for the District's governmental activities for the year ended June 30, 2021 is as follows.

	<u>Balance June 30, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2021</u>	<u>Due within One Year</u>
Long-term debt					
from direct borrowing:					
Loan payable	\$ 7,177	\$ -	\$ (7,177)	\$ -	\$ -
Other long-term liabilities:					
Compensated absences	40,083	35,328	(38,003)	37,408	28,804
Total long-term liabilities	<u>\$ 47,260</u>	<u>\$ 35,328</u>	<u>\$ (45,180)</u>	<u>\$ 37,408</u>	<u>\$ 28,804</u>

Loan Payable

On August 15, 2016, the District financed the purchase of a truck for \$27,784. The loan bears interest at 5.99% a year and matures on August 29, 2021. The District paid the remaining balance of the loan during the year ended June 30, 2021.

Non-District Obligation Bonds – Special Assessment District Bonds

On June 10, 1993, the District issued \$5,000,000 of Series 1993 Limited Obligation Improvement Bonds for Landscaping and Lighting Assessment District No. 1991-1 (Rush School Site Acquisition Project) in accordance with the provisions of the Municipal Improvement Act 1915. The bonds are the liability of the property owners and are secured by liens against the assessed properties. The District acts as agent for collection of principal and interest payments by the property owners and remittance of such monies to the bondholders. Neither the faith and credit nor the general taxing power of the District have been pledged to the payment of the bonds. The bonds bear interest at 6.2% a year and mature on September 2, 2021. The balance of the bonds outstanding were paid in full during the year ended June 30, 2021.

Note 6 – Transfers To/From Other Funds

The District closed out the Capital Projects Contribution Fund (Fund 40) and transferred the remaining \$47,349 to General Fund (Fund 10) during the year ended June 30, 2021.

Rossmoor Community Services District

Notes to Basic Financial Statements For the Year Ended June 30, 2021

Note 7 – Risk Management

Liability coverage for the District is provided through the California Joint Powers Insurance Authority (California JPIA). In addition to liability coverage, the California JPIA offers other coverage programs. The various coverage programs shown below apply to the District. Pollution legal liability insurance, all risk property insurance, and crime insurance are purchased from commercial insurance companies on behalf of the District. Claims administration for the liability program is provided by Carl Warren & Company. Workers' Compensation liability is covered through State Fund Insurance.

Comprehensive General and Automobile Liability Coverage

Period: July 1, 2020 to July 1, 2021

Limit: \$50 million combined single limit per occurrence

Annual Contribution Paid: \$26,687

Cumulative Refund Due from California JPIA as of June 30, 2021: \$0

Pollution Legal Liability Insurance

Period: July 1, 2020 to July 1, 2021

Limit: \$5 million per member, \$250,000 per occurrence self-insured retention

Premium Paid 2020-21: \$284

All Risk Property Insurance

Period: July 1, 2020 to July 1, 2021

Deductibles: (a) \$10,000 for Building and Contents,

(b) 5% for optional Earthquake and Flood, and (c) \$5,000 for optional Mechanical Breakdown

Premium Paid 2020-21: \$7,000

Crime Insurance

Period: July 1, 2020 to July 1, 2021

Deductible: \$5,000 Faithful Performance, Depositor's Forgery, Theft, and Computer Fraud

Premium Paid 2020-21: \$1,800

Adequacy of Protection

All claims are investigated, valued, reserved, defended and/or settled in accordance with generally accepted insurance industry practices. There are no existing claims known to the District which would exceed its applicable coverage. For the past three years, no claim has exceeded coverage limits for any of the programs indicated above. Contributions made for pooled self-insurance programs include amounts for claims which may have been incurred but not reported. Management believes the coverage as stated above is adequate and reasonable for the District.

Rossmoor Community Services District

Notes to Basic Financial Statements For the Year Ended June 30, 2021

Note 8 – COVID-19

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The COVID-19 outbreak in the United States has caused business disruption in all sectors, both private and public. There is considerable uncertainty around the financial impacts of the pandemic on the District. The District's major revenue sources could be directly impacted by these events, however, the ultimate financial impact and duration cannot be estimated at this time, and no adjustments have been made to these financial statements as a result of the contingency.

Rossmoor Community Services District

**Required Supplementary Information
General Fund (*Fund 10*)
Budgetary Comparison Schedule
For the Year Ended June 30, 2021**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 1,041,595	\$ 1,041,595	\$ 1,098,769	\$ 57,174
Special assessments	360,000	360,000	381,240	21,240
Intergovernmental	60,000	60,000	60,000	-
Charges for services	164,900	164,900	123,335	(41,565)
Investment income	16,000	16,000	4,982	(11,018)
Other	37,000	37,000	34,257	(2,743)
Total revenues	<u>1,679,495</u>	<u>1,679,495</u>	<u>1,702,583</u>	<u>23,088</u>
EXPENDITURES				
Current:				
General government	772,525	772,525	897,329	(124,804)
Public services	289,550	289,550	283,271	6,279
Parks and recreation	327,710	327,710	294,456	33,254
Capital outlay	103,550	103,550	63,136	40,414
Debt service:				
Principal	-	-	7,177	(7,177)
Interest	-	-	269	(269)
Total expenditures	<u>1,493,335</u>	<u>1,493,335</u>	<u>1,545,638</u>	<u>(52,303)</u>
Excess of revenues over (under) expenditures	<u>186,160</u>	<u>186,160</u>	<u>156,945</u>	<u>(29,215)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>40,000</u>	<u>40,000</u>	<u>47,349</u>	<u>7,349</u>
Total other financing sources (uses)	<u>40,000</u>	<u>40,000</u>	<u>47,349</u>	<u>7,349</u>
Net change in fund balance	<u>\$ 226,160</u>	<u>\$ 226,160</u>	204,294	<u>\$ (21,866)</u>
FUND BALANCE				
Beginning of year			<u>1,079,606</u>	
End of year			<u>\$ 1,283,900</u>	