

**AGENDA**

**ROSSMOOR COMMUNITY SERVICES DISTRICT**

**AUDIT COMMITTEE MEETING**

RUSH PARK  
3001 Blume Drive  
Rossmoor, California 90720  
Administrative Offices

**Tuesday, September 29, 2015  
11:30 a.m.**

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**A. ORGANIZATION**

1. CALL TO ORDER: 11:30 a.m.
2. ROLL CALL: Directors Kahlert, Maynard
3. PLEDGE OF ALLEGIANCE
4. PRESENTATIONS: None

**B. PUBLIC FORUM**

*Any person may address the members of the Audit Committee at this time upon any subject within the jurisdiction of the Audit Committee of the Rossmoor Community Services District.*

**C. REGULAR CALENDAR**

1. DISCUSSION WITH GENERAL MANAGER/DISTRICT AUDITOR RE: 2014-2015 PRELIMINARY AUDIT REPORT.

**D. ADJOURNMENT**

**CERTIFICATION OF POSTING**

I hereby certify that the attached Agenda for the September 29, 2015, 11:30 a.m. Audit Committee Meeting of the Rossmoor Community Services District was posted at least 24 hours prior to the time of the meeting.

ATTEST:



James D. Ruth  
General Manger

Date September 23, 2015

**ROSSMOOR COMMUNITY SERVICES DISTRICT  
AGENDA ITEM C-1**

**MEMORANDUM**

**Date:** September 29, 2015  
**To:** Audit Committee  
**From:** James Ruth  
**Subject:** Meeting with Auditor

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Your Agenda package for this meeting includes a number of items. First is the FY 2014/2015 Draft Audit prepared by RAMS, the District's Auditor. Included in that document is a statement that the District is receiving an unqualified audit i.e., no reportable issues. In previous years, the Auditor made recommendations in the Management letter. However, this year there is no Management Letter due to the fact the Auditor had no issues or recommendations for Rossmoor Community Services District.

**Rossmoor Wall Certificates of Participation:**

2013-2014's Management Letter recommended that the District use excess reserve funds in Fund 30 (Rossmoor Wall) to pay down a portion of debt in the FY 2015 time frame. Staff identified a serious need to repair the wall which was showing signs of weathering in the form of a substantial number of deteriorating and/or crumbling bricks. Staff contacted the Trustee, U.S. Bank, to check the 1998 Rossmoor Wall Project – Installment and Sale. In reviewing the documents, (see attachment 2) it was determined that the excess reserve funds could be used to repair this problem. The subject was discussed at the 2013-2014 Audit Committee meeting and the Board voted to transfer \$70,000 from Fund 30 to CIP Fund 40 for repairs to the wall.

The FY 2014-2015 Financial Statement shows an ending Fund 30 Balance of \$109,390 (Page 36). Originally, FY 2016-2017 was scheduled as the final year of the Wall Assessment tax. This assessment is \$24.00 annually per property parcel. It is broken down into two tax payments of \$12.00 each.

It is proposed that the Audit Committee discuss the options of paying the debt off early in February 2016 and canceling the final year of the Wall Assessment (which would make February 2016 the final tax payment for residents) or continuing the assessment as originally planned.

Staff suggests that the Audit Committee recommend to the Board that staff proceed with paying off the remaining Wall Fund indebtedness. This action will not have a material impact on the District's cash flow.

**Rush Park Bond:**

The FY 2014-2015 Financial Statement shows Rush Park Fund 50 as having an ending balance of \$214,803 (Page 38 of the Financial Statement). A early payment of \$495,000 comprised of Rush Park Fund 50 funds plus accumulated interest was made in September 2010. Since 2010, Fund 50 funds have increased to an amount of \$214,803. These funds cannot be used for anything other than paying the Rush Park Bond debt. The final payment for the bond is currently scheduled for September 9, 2021. The Reserve Account for the Rush Park Bond has a balance of \$361,251 which is the minimum reserve and therefore restricted. Also, the Investment Committee recommended and the Board approved that these reserve funds be invested in 2 and 3 year U.S. Agency Notes. This notes will not mature until June 2017 and June 2018 respectively. Moreover, early termination of our investments would result in substantial financial penalties.

The current premium due on the Rush Park Bond is \$1,595,000. It has been suggested that the Fund 50 balance of \$214,803 be used to pay down the premium, thus saving interest. Staff does not recommend this action based on cash flow issues, as shown in Attachment 5, and the limited benefit of that amount with respect to the annual payment schedule of \$1,595,000.

**ATTACHMENTS:**

1. FY 2014-2015 Report on Audit Draft
2. Installment Sale Agreement May 1, 1998
3. Rossmoor Wall Early Pay Off Worksheet
4. Cash Flow Analysis Fund 30 /Rossmoor Wall Early Pay Off
5. 1998 Rossmoor Wall Project -Installment and Sale Agreement Section 4.06 (c)
6. Cash Flow Analysis Fund 50/ Pay down of Rush Park Bond

**DRAFT**  
**Subject to Change**

**ROSSMOOR COMMUNITY  
SERVICES DISTRICT**

**FINANCIAL STATEMENTS**

**WITH INDEPENDENT  
AUDITOR'S REPORT**

**JUNE 30, 2015**

**Rossmoor Community Services District**

**Financial Statements with Independent Auditor's Report  
June 30, 2015**

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Board of Directors  
Rossmoor Community Services District  
Rossmoor, California

### **Independent Auditor's Report**

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Rossmoor Community Services District (the District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

#### **Management's Responsibility for the Financial Statements**

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

#### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the State Controller's Minimum Audit Requirement for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit

procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2015, 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.

## **Other Matters**

### *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 opinion on the basic financial statements is 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, 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 Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The accompanying major fund budgetary comparison schedules and the Statement of Changes in Fiduciary Assets and Liabilities - Agency Fund are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The major fund budgetary comparison schedules and the Statement of Changes in Fiduciary Assets and Liabilities - Agency Fund are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Rogers Anderson Maloney & Scott, LLP*

San Bernardino, California  
September \_\_, 2015

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Rossmoor Community Services District

**Statement of Net Position**  
**June 30, 2015**

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	Governmental Activities
<b>ASSETS</b>	
Cash and investments	\$ 905,086
Investments held by fiscal agents	47,000
Accounts receivable	54,475
Taxes receivable	11,555
Interest receivable	691
Capital assets not being depreciated	2,949,669
Capital assets being depreciated, net	<u>2,014,157</u>
Total assets	<u>5,982,633</u>
<b>LIABILITIES</b>	
Accounts payable	32,282
Accrued liabilities	5,460
Deposits	4,229
Interest payable	5,438
Noncurrent liabilities:	
Due within one year	95,000
Due in more than one year	<u>158,785</u>
Total liabilities	<u>301,194</u>
<b>NET POSITION</b>	
Net investment in capital assets	4,738,826
Restricted for debt service	156,390
Unrestricted	<u>786,223</u>
Total net position	<u><u>\$ 5,681,439</u></u>

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

Rossmoor Community Services District

**Statement of Activities**  
**For the Year Ended June 30, 2015**

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<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
Governmental activities:			
General government	\$ 445,316	\$ -	\$ -
Public services	253,843	54,475	-
Parks and recreation	784,593	154,748	-
Interest and fiscal charges	16,005	-	-
Total governmental activities	<u>\$ 1,499,757</u>	<u>\$ 209,223</u>	<u>\$ -</u>

General revenues:

Taxes:

Property

Special assessments

Investment income

Other income

Total general revenues

Change in net position

Net position, beginning of year

Net position, end of year

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

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<u>Capital Grants and Contributions</u>	<u>Net Governmental Activities</u>
\$ -	\$ (445,316)
-	(199,368)
-	(629,845)
-	(16,005)
<u>\$ -</u>	<u>(1,290,534)</u>

789,467
362,308
2,163
<u>26,693</u>
<u>1,180,631</u>
(109,903)
<u>5,791,342</u>
<u>\$ 5,681,439</u>

Rossmoor Community Services District

**Balance Sheet**  
**Governmental Funds**  
**June 30, 2015**

	General <i>Fund 10</i>	Debt Service	
		PIFC Rossmoor Wall	PIFC Rossmoor Wall Reserve
		<i>Fund 30</i>	<i>Fund 45</i>
<b>ASSETS</b>			
Cash and investments	\$ 662,072	\$ 108,418	\$ -
Investments held by fiscal agents	-	-	47,000
Receivables:			
Taxes	10,583	972	-
Accounts	54,475	-	-
Interest	691	-	-
Total assets	<u>\$ 727,821</u>	<u>\$ 109,390</u>	<u>\$ 47,000</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 27,288	\$ -	\$ -
Accrued liabilities	5,460	-	-
Deposits	4,229	-	-
Total liabilities	<u>36,977</u>	<u>-</u>	<u>-</u>
Fund balances:			
Restricted for:			
Debt service	-	109,390	47,000
Assigned to:			
Capital projects	-	-	-
Unassigned	690,844	-	-
Total fund balances	<u>690,844</u>	<u>109,390</u>	<u>47,000</u>
Total liabilities and fund balances	<u>\$ 727,821</u>	<u>\$ 109,390</u>	<u>\$ 47,000</u>

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

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<u>Capital Projects</u>	
<u>Capital Projects Contributions</u>	<u>Total Governmental Funds</u>
<u>Fund 40</u>	
\$ 134,596	\$ 905,086
-	47,000
-	11,555
-	54,475
-	691
<u>\$ 134,596</u>	<u>\$ 1,018,807</u>
\$ 4,994	\$ 32,282
-	5,460
-	4,229
<u>4,994</u>	<u>41,971</u>
-	156,390
129,602	129,602
-	690,844
<u>129,602</u>	<u>976,836</u>
<u>\$ 134,596</u>	<u>\$ 1,018,807</u>

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Rossmoor Community Services District

**Reconciliation of the Balance Sheet of  
Governmental Funds to the Statement of Net Position  
June 30, 2015**

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**Fund balances of governmental funds** \$ 976,836

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. 4,963,826

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

Certificates of participation payable	\$ (225,000)	
Compensated absences	(28,785)	
Interest payable	(5,438)	(259,223)

**Net position of governmental activities** \$ 5,681,439

Rossmoor Community Services District

**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2015**

	Debt Service		
		PIFC	PIFC
	General	Rossmoor Wall	Rossmoor Wall Reserve
	<u>Fund 10</u>	<u>Fund 30</u>	<u>Fund 45</u>
<b>REVENUES</b>			
Taxes	\$ 789,467	\$ -	\$ -
Special assessments	275,546	86,762	-
Intergovernmental	54,475	-	-
Charges for services	154,748	-	-
Investment income	2,163	-	-
Other	26,693	-	-
	<u>1,303,092</u>	<u>86,762</u>	<u>-</u>
<b>EXPENDITURES</b>			
Current:			
General government	447,757	-	-
Public services	253,843	-	-
Parks and recreation	588,740	-	-
Capital outlay	24,626	-	-
Debt service:			
Principal retirement	-	65,000	-
Interest and fiscal charges	-	17,575	-
	<u>1,314,966</u>	<u>82,575</u>	<u>-</u>
Excess of revenues over (under) expenditures	(11,874)	4,187	-
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in (out)	<u>(100,000)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(111,874)	4,187	-
Fund balances, beginning of year	<u>802,718</u>	<u>105,203</u>	<u>47,000</u>
Fund balances, end of year	<u>\$ 690,844</u>	<u>\$ 109,390</u>	<u>\$ 47,000</u>

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

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<u>Capital Projects</u>	
<u>Capital Projects Contributions</u>	<u>Total Governmental Funds</u>
<u>Fund 40</u>	
\$ -	\$ 789,467
-	362,308
-	54,475
-	154,748
-	2,163
-	26,693
<u>-</u>	<u>1,389,854</u>
-	447,757
-	253,843
1,050	589,790
67,032	91,658
-	65,000
<u>-</u>	<u>17,575</u>
<u>68,082</u>	<u>1,465,623</u>
(68,082)	(75,769)
<u>100,000</u>	<u>-</u>
31,918	(75,769)
<u>97,684</u>	<u>1,052,605</u>
<u>\$ 129,602</u>	<u>\$ 976,836</u>

Rossmoor Community Services District

**Reconciliation of the Statement of Revenues, Expenditures and Changes in  
Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended June 30, 2015**

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**Net change in fund balances - total governmental funds** \$ (75,769)

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 (\$169,497) exceeded capitalized capital outlay (\$66,352) in the current period. (103,145)

The additions to and repayment of the principal of long-term debt consumes the current financial resources of governmental funds. However, they have no effect on net positions.

Principal payments on certificates of participation 65,000

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	\$ 2,441		
Decrease in accrued interest on certificates of participation	1,570	4,011	
	1,570	4,011	

**Change in net position of governmental activities** \$ (109,903)

**Rossmoor Community Services District**

**Statement of Fiduciary Assets and Liabilities**  
**Agency Fund**  
**June 30, 2015**

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	<u>Special Assessment Fund 50</u>
<b>ASSETS</b>	
Cash and investments	\$ 214,803
Investments held by fiscal agents	361,251
Assessments receivable	<u>4,235</u>
Total assets	<u><u>\$ 580,289</u></u>
<b>LIABILITIES</b>	
Due to bondholders	<u><u>\$ 580,289</u></u>

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

**Rossmoor Community Services District**

**Notes to Financial Statements**  
**June 30, 2015**

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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.

As required by generally accepted accounting principles, the financial statements present the Rossmoor Community Services District (the primary government) and its component unit. The component unit discussed below is included in the District's reporting entity because of the significance of its operational or financial relationship with the District.

Blended Component Unit

The Rossmoor Community Services Public Improvements Financing Corporation (the Corporation) is governed by the District officers. Although it is legally separate from the District, the Corporation is reported as if it were part of the primary government because its sole purpose is to finance and construct the District's public facilities. This is a blended component unit. The funds of the Corporation are reported as a debt service fund and a capital projects fund. Certificates of Participation issued by the Corporation are reported in the Statement of Net Position.

B. Basis of Presentation – Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District has no business-type activities.

**Rossmoor Community Services District**

**Notes to Financial Statements**  
**June 30, 2015**

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation – Government-wide and Fund Financial Statements (continued)

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

The fund financial statements provide information about the District's funds, including its fiduciary fund and blended component unit. Separate statements for each fund category – governmental and fiduciary – are presented. The fiduciary fund is excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

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. From this fund are paid the general operating expenses not paid through other funds. This fund correlates with Fund 10 in the District's annual budget.

The PIFC Rossmoor Wall Debt Service Fund is the Installment Payment Fund used to account for revenues and the payment of principal and interest related to the 1998 Certificates of Participation of the Public Improvement Financing Corporation (PIFC). This fund correlates with Fund 30 in the District's annual budget.

The PIFC Rossmoor Wall Reserve Debt Service Fund is used to account for the Reserve Fund for the 1998 Certificates of Participation. The reserve requirement is the lesser of the maximum annual debt service or 5% of the original principal amount of the certificates. This fund correlates with Fund 45 in the District's annual budget.

The Capital Projects Contributions Capital Projects 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.

**Rossmoor Community Services District**

**Notes to Financial Statements**  
**June 30, 2015**

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation – Government-wide and Fund Financial Statements (continued)

Additionally, the District reports the following fund types:

Fiduciary Fund:

The Agency Fund is used to account for assets held by the District as an agent 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.

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.

C. Measurement Focus and Basis of Accounting

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

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 government 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, as under accrual accounting. 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.

The District follows all pronouncements of the Governmental Accounting Standards Board (GASB).



**Rossmoor Community Services District**

**Notes to Financial Statements**  
**June 30, 2015**

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus and Basis of Accounting (continued)

The following fund balance classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable – amounts that are not in a spendable form (such as inventory) 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.
- 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.

The District Board establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. The District has not designated any level of authority for assigning fund balance; therefore, the District Board can assign fund balance. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed. It is the District's policy to consider committed amounts to be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

D. Assets, Liabilities and Net Position

1. Cash and Cash Equivalents

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.

2. 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 fair 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.

**Rossmoor Community Services District**

**Notes to Financial Statements**  
**June 30, 2015**

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Liabilities and Net Position (continued)

3. 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.

4. Property Taxes

Property taxes are levied January 1 of each year, at which time they become an enforceable lien on real property. Taxes for the first installment are due on November 1, and are payable through December 10 without penalty. The second installment of taxes is due February 1, and becomes delinquent on April 10. Property taxes are remitted to the District from the County of Orange at various times throughout the year. Property taxes are recognized in accordance with the modified accrual basis of accounting.

5. Investments

Investments are stated at fair value (the value at which financial instruments could be exchanged in a current transaction between willing parties, other than in a forced liquidation sale).

6. Compensated Leave Benefits

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.

7. Appropriations and Encumbrances

Unexpended and unencumbered appropriations of the governmental funds automatically lapse at the end of the fiscal year for noncapital projects.

8. Use of Estimates

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

**Rossmoor Community Services District**

**Notes to Financial Statements**  
**June 30, 2015**

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NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Data

The annual District budgets for the General Fund, Capital Projects Funds and Debt Service Funds 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. 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, 2015, expenditures in excess of appropriations (legally adopted annual budget) in individual funds were as follows:

<u>Fund</u>	<u>Expenditures</u>	<u>Appropriations</u>	<u>Excess</u>
General Fund	\$ 1,314,966	\$ 1,308,762	\$ 6,204

NOTE 3: DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

Cash and investments as of June 30, 2015 are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and investments	\$ 905,086
Investments held by fiscal agents	47,000
Statement of fiduciary assets and liabilities:	
Cash and investments	214,803
Investments held by fiscal agents	<u>361,251</u>
Total cash and investments	<u><u>\$ 1,528,140</u></u>

**Rossmoor Community Services District**

**Notes to Financial Statements**  
**June 30, 2015**

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NOTE 3: DETAILED NOTES ON ALL FUNDS (continued)

A. Cash and Investments (continued)

Cash and investments as of June 30, 2015 consist of the following:

Deposits with financial institutions	\$ 41,990
Cash on hand	400
Investments	<u>1,485,750</u>
Total cash and investments	<u><u>\$ 1,528,140</u></u>

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

The table below 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.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
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%	\$50 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

**Rossmoor Community Services District**

**Notes to Financial Statements**  
**June 30, 2015**

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NOTE 3: DETAILED NOTES ON ALL FUNDS (continued)

A. Cash and Investments (continued)

**Investments authorized by debt agreements**

Provisions of the debt agreements, rather than the general provisions of the California Government Code or the District's investment policy, govern investment of debt proceeds held by the bond trustee. The table below identifies the investment types that are authorized for investments held by the bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage Allowed	Maximum Investment in One Issuer
Federal Securities	None	None	None
U.S. District Securities	None	None	None
Commercial Paper	270 days	None	None
Money Market Mutual Funds	N/A	None	None
Investment Agreements	None	None	None
Certificates of Deposit, Savings Accounts	None	None	None
Municipal Obligations	None	None	None
Banker's Acceptances	1 year	None	None
U.S. Government Agencies	None	None	None

**Investment in State Investment Pool**

The Agency is a voluntary participant in the Local Agency Investment Fund (LAIF), which is part of the Pooled Money Investment Account that is regulated by the California Government Code under the oversight of the State Treasurer, Director of Finance and State Controller. The Agency may invest up to \$50 million in the LAIF fund. Investments in LAIF are highly liquid, as deposits can be converted to cash within 24 hours without loss of interest. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. 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>.

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

**Rossmoor Community Services District**

**Notes to Financial Statements**  
**June 30, 2015**

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NOTE 3: DETAILED NOTES ON ALL FUNDS (continued)

A. Cash and Investments (continued)

**Disclosures relating to interest rate risk (continued)**

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>
State investment pool	\$ 1,077,499	\$ 1,077,499	\$ -
Held by fiscal agents:			
Money market	51,766	51,766	-
Federal agency securities	356,485	-	356,485
	<u>\$ 1,485,750</u>	<u>\$ 1,129,265</u>	<u>\$ 356,485</u>

**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. 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>
State investment pool	\$ 1,077,499	N/A	Not rated
Held by fiscal agents:			
Money market	51,766	N/A	Not rated
Federal agency securities	356,485	N/A	AAA
	<u>\$ 1,485,750</u>		

**Rossmoor Community Services District**

**Notes to Financial Statements**  
**June 30, 2015**

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NOTE 3: DETAILED NOTES ON ALL FUNDS (continued)

A. Cash and Investments (continued)

**Concentration of credit risk**

The investment policy of the District limits investments to 25% of its investment portfolio in any one issuer, except in the state investment pool. For the year ended June 30, 2015, investments in any one issuer (other than external investment pools) were as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>
Federal Home Loan Bank	Federal Agency Securities	<u>\$ 356,485</u>

**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, 2015, the District had no deposits with financial institutions that were in excess of federal depository insurance limits.

**Fair value of investments**

The District reports its investments at fair value in the accompanying financial statements. All investment income, including changes in the fair value of investments, is recognized as revenue in the accompanying financial statements.

**Rossmoor Community Services District**

**Notes to Financial Statements**  
**June 30, 2015**

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NOTE 3: DETAILED NOTES ON ALL FUNDS (continued)

B. Capital Assets

A summary of changes in capital assets activity for the District's governmental activities for the year ended June 30, 2015 is as follows.

	<u>Balance at June 30, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at June 30, 2015</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 2,861,158	\$ -	\$ -	\$ 2,861,158
Construction in progress	<u>62,315</u>	<u>66,352</u>	<u>(40,156)</u>	<u>88,511</u>
Total capital assets, not being depreciated	<u>2,923,473</u>	<u>66,352</u>	<u>(40,156)</u>	<u>2,949,669</u>
Capital assets, being depreciated:				
Buildings and structures	4,192,747	40,156	-	4,232,903
Motorized vehicles	<u>27,608</u>	<u>-</u>	<u>-</u>	<u>27,608</u>
Total capital assets, being depreciated	<u>4,220,355</u>	<u>40,156</u>	<u>-</u>	<u>4,260,511</u>
Less accumulated depreciation for:				
Buildings and structures	(2,051,810)	(166,936)	-	(2,218,746)
Motorized vehicles	<u>(25,047)</u>	<u>(2,561)</u>	<u>-</u>	<u>(27,608)</u>
Total accumulated depreciation	<u>(2,076,857)</u>	<u>(169,497)</u>	<u>-</u>	<u>(2,246,354)</u>
Total capital assets, being depreciated, net	<u>2,143,498</u>	<u>(129,341)</u>	<u>-</u>	<u>2,014,157</u>
Governmental activities capital assets, net	<u>\$ 5,066,971</u>	<u>\$ (62,989)</u>	<u>\$ (40,156)</u>	<u>\$ 4,963,826</u>

Depreciation expense of \$169,497 was charged to the parks and recreation function/program in the statement of activities.



**Rossmoor Community Services District**

**Notes to Financial Statements**  
**June 30, 2015**

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NOTE 3: DETAILED NOTES ON ALL FUNDS (continued)

C. Summary of Changes in Long-term Liabilities

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015	Due within One Year
Compensated absences	\$ 31,226	\$ 46,840	\$ (49,281)	\$ 28,785	\$ 25,000
Certificates of participation	290,000	-	(65,000)	225,000	70,000
Total	<u>\$ 321,226</u>	<u>\$ 46,840</u>	<u>\$ (114,281)</u>	<u>\$ 253,785</u>	<u>\$ 95,000</u>

The Certificates of Participation are limited obligations of the District. The obligation will be repaid solely from and secured by a pledge of and first lien on special taxes to be levied on property in the District. The special taxes will be levied in the amounts and at the time approved by voters in the District.

The 1998 Certificates of Participation issued by the Rossmoor Community Services District Public Improvements Financing Corporation and outstanding at June 30, 2015, bear interest at 5.8% a year and mature serially in increasing amounts on each August 1, through 2017. Annual debt service payments are as follows:

Fiscal Year	Principal Amount	Interest Amount	Total
2016	\$ 70,000	\$ 13,050	\$ 83,050
2017	75,000	8,990	83,990
2018	80,000	4,640	84,640
	<u>\$ 225,000</u>	<u>\$ 26,680</u>	<u>\$ 251,680</u>

**Rossmoor Community Services District**

**Notes to Financial Statements**  
**June 30, 2015**

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NOTE 3: DETAILED NOTES ON ALL FUNDS (continued)

C. Summary of Changes in Long-term Liabilities (continued)

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 at June 30, 2015 was \$1,840,000.

D. 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, 2015 consists of County street sweeping reimbursements of \$54,475. These intergovernmental revenues are presented as program revenues under the public services function/program in the statement of activities.

E. Transfers To/From Other Funds

	<u>Transfer in:</u>
	Capital
	Projects
	Contributions
	<u>(Fund 40)</u>
<u>Transfer out:</u>	
General Fund (Fund 10)	<u>\$ 100,000</u>

Current year transfers were approved and budgeted for capital related projects.

**Rossmoor Community Services District**

**Notes to Financial Statements**  
**June 30, 2015**

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NOTE 4: OTHER INFORMATION

A. Risk Management

The District is a member of the Special District Risk Management Authority (SDRMA). The Authority was formed under a joint powers agreement pursuant to California Government Code Sections 6500 et seq. and 900 et seq. to provide a general liability, automotive liability and property damage, and errors and omissions risk financing for the member districts. Contribution development is based on the particular characteristics of the member districts.

The following audited financial data is presented as of and for the fiscal year ended June 30, 2014 for SDRMA (most recent data available):

Total assets	\$ 103,447,984
Total liabilities	<u>50,078,187</u>
Net position	<u>\$ 53,369,797</u>
Total revenues	\$ 52,425,452
Total expenses	<u>54,701,152</u>
Change in net position	<u>\$ (2,275,700)</u>

The District's precise share of the Authority's assets, liabilities, risk margin and changes therein during the fiscal year are not available.

Adequacy of Protection

During the past three fiscal years, none of the above programs of protection have had settlements or judgments that exceeded pooled or insured coverage. There have been no significant reductions in pooled or insured liability coverage from coverage in the prior year.

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**Required Supplementary Information**

Rossmoor Community Services District

**Required Supplementary Information**  
**General Fund (Fund 10)**  
**Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 753,613	\$ 767,129	\$ 789,467	\$ 22,338
Special assessments	258,000	265,000	275,546	10,546
Intergovernmental	57,800	60,800	54,475	(6,325)
Charges for services	159,900	159,900	154,748	(5,152)
Investment income	2,000	2,500	2,163	(337)
Other	23,500	58,500	26,693	(31,807)
	<u>1,254,813</u>	<u>1,313,829</u>	<u>1,303,092</u>	<u>(10,737)</u>
<b>EXPENDITURES</b>				
Current:				
General government	385,200	416,141	447,757	(31,616)
Public services	258,935	250,435	253,843	(3,408)
Parks and recreation	585,672	610,536	588,740	21,796
Capital outlay	20,650	31,650	24,626	7,024
	<u>1,250,457</u>	<u>1,308,762</u>	<u>1,314,966</u>	<u>(6,204)</u>
Excess of revenues over (under) expenditures	4,356	5,067	(11,874)	(16,941)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in (out)	<u>(100,000)</u>	<u>(100,000)</u>	<u>(100,000)</u>	<u>-</u>
Net change in fund balance	(95,644)	(94,933)	(111,874)	(16,941)
Fund balance, beginning of year	<u>802,718</u>	<u>802,718</u>	<u>802,718</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 707,074</u></u>	<u><u>\$ 707,785</u></u>	<u><u>\$ 690,844</u></u>	<u><u>\$ (16,941)</u></u>

**Rossmoor Community Services District**

**Notes to Required Supplementary Information**  
**June 30, 2015**

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Budgets and Budgetary Accounting

The annual District budget for the General Fund is 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. Any deficiency of budgeted revenues compared to budgeted expenditures is financed from beginning unassigned fund balance. During the fiscal year, several nominal supplementary appropriations were necessary.

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**Supplementary Information**

Rossmoor Community Services District

**Public Improvements Financing Corporation  
Rossmoor Wall Debt Service Fund (Fund 30)  
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual  
For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Special assessments	\$ 88,480	\$ 88,480	\$ 86,762	\$ (1,718)
Investment income	1,000	1,000	-	(1,000)
Total revenues	<u>89,480</u>	<u>89,480</u>	<u>86,762</u>	<u>(2,718)</u>
<b>EXPENDITURES</b>				
Debt service:				
Principal retirement	65,000	65,000	65,000	-
Interest and fiscal charges	17,465	17,575	17,575	-
Total expenditures	<u>82,465</u>	<u>82,575</u>	<u>82,575</u>	<u>-</u>
Excess of revenues over (under) expenditures	7,015	6,905	4,187	(2,718)
<b>OTHER FINANCING SOURCES</b>				
Transfers in	-	-	-	-
Net change in fund balance	7,015	6,905	4,187	(2,718)
Fund balance, beginning of year	<u>105,203</u>	<u>105,203</u>	<u>105,203</u>	<u>-</u>
Fund balance, end of year	<u>\$ 112,218</u>	<u>\$ 112,108</u>	<u>\$ 109,390</u>	<u>\$ (2,718)</u>

Rossmoor Community Services District

**Capital Projects Contributions Capital Projects Fund (Fund 40)**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual**  
**For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>	\$ -	\$ -	\$ -	\$ -
<b>EXPENDITURES</b>				
Parks and recreation	-	-	1,050	(1,050)
Capital outlay	94,000	160,755	67,032	93,723
Total expenditures	94,000	160,755	68,082	92,673
Excess of revenues over (under) expenditures	(94,000)	(160,755)	(68,082)	92,673
<b>OTHER FINANCING SOURCES</b>				
Transfers in	100,000	100,000	100,000	-
Net change in fund balance	6,000	(60,755)	31,918	92,673
Fund balance, beginning of year	97,684	97,684	97,684	-
Fund balance, end of year	<u>\$ 103,684</u>	<u>\$ 36,929</u>	<u>\$ 129,602</u>	<u>\$ 92,673</u>

Rossmoor Community Services District

**Statement of Changes in Fiduciary  
Assets and Liabilities – Agency Fund (Fund 50)  
For the Year Ended June 30, 2015**

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<b>Special Assesment Fund</b>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>Assets</b>				
Cash and investments	\$ 217,850	\$ 371,211	\$ 374,258	\$ 214,803
Investments held by fiscal agents	352,272	380,307	371,328	361,251
Assessments receivable	4,355	4,235	4,355	4,235
Total assets	<u>\$ 574,477</u>	<u>\$ 755,753</u>	<u>\$ 749,941</u>	<u>\$ 580,289</u>
<b>Liabilities</b>				
Due to bondholders	<u>\$ 574,477</u>	<u>\$ 755,753</u>	<u>\$ 749,941</u>	<u>\$ 580,289</u>

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**INSTALLMENT SALE AGREEMENT**

**Dated as of May 1, 1998**

**by and between the**

**ROSSMOOR COMMUNITY SERVICES PUBLIC IMPROVEMENTS  
FINANCING CORPORATION, as Seller**

**and the**

**ROSSMOOR COMMUNITY SERVICES DISTRICT, as Purchaser**

**\$1,050,000  
Certificates of Participation  
(1998 Rossmoor Wall Project)**

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any cause, including, without limiting the generality of the foregoing, the occurrence of any acts or circumstances that may constitute failure of consideration, eviction or constructive eviction, destruction of or damage to the Project, the taking by eminent domain of title to or temporary use of any or all of the Project, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State or any political subdivision of either thereof or any failure of the Corporation or the Trustee to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with the Trust Agreement, the Assignment Agreement or this Installment Sale Agreement.

Nothing contained in this Section 4.05 shall be construed to release the Corporation from the performance of any of the agreements on its part herein contained, and in the event the Corporation shall fail to perform any such agreements on its part, the District may institute such action against the Corporation as the District may deem necessary to compel performance so long as such action does not abrogate the obligations of the District contained in the first sentence of the preceding paragraph. The District may, however, at the District's own cost and expense and in the District's own name or in the name of the Corporation prosecute or defend any action or proceeding or take any other action involving third persons which the District deems reasonably necessary in order to secure or protect the District's right of possession, occupancy and use hereunder, and in such event the Corporation hereby agrees to cooperate fully with the District and to take such action necessary to effect the substitution of the District for the Corporation in such action or proceeding if the District shall so request.

Section 4.06. Pledge of Special Tax Revenues; Deposits to Pay Installment Payments; Release from Lien.

(a) *Pledge of Special Tax Revenues.* The District hereby agrees that the payment of the Installment Payments shall be secured by a pledge, charge and first and prior lien upon Special Tax Revenues, and Special Tax Revenues sufficient to pay the Installment Payments as they become due and payable are hereby pledged, charged, assigned, transferred and set over by the District to the Corporation and its assigns for the purpose of securing payment of the Installment Payments. The Special Tax Revenues shall constitute a trust fund for the security and payment of the Installment Payments.

(b) *Transfer to Pay Installment Payments.* In order to provide for the payment of Installment Payments when due, the District shall, on or before each Installment Payment Date, transfer to the Trustee for deposit into the Installment Payment Fund the amount indicated in Exhibit C attached hereto as required for the next occurring Installment Payment Date. Notwithstanding Exhibit C attached hereto, the District shall be

obligated to make Installment Payments sufficient to pay all principal and interest due with respect to the Certificates.

(c) *Release from Lien.* Following the transfer described in paragraph (b) of this Section 4.06 with respect to the August 1 Installment Payment Date, Special Tax Revenues in excess of amounts required for the payment of Installment Payments and for the replenishment of the Reserve Fund, in that Certificate Year shall be released from the lien of this Installment Sale Agreement and shall be available for any lawful purpose of the District.

Section 4.07. Limitations on Future Obligations Secured by District Revenues.

(a) *No Obligations Superior to Installment Payments.* In order to protect further the availability of the Special Tax Revenues and the security for the Installment Payments the District hereby agrees that the District shall not, so long as any Certificates are outstanding, issue or incur any obligations payable from Special Tax Revenues superior to or on a parity with the Installment Payments.

(b) *Subordinate Debt.* The District may issue or incur Subordinate Debt so long as it is not in default hereunder.

Section 4.09. Additional Payments. In addition to the Installment Payments, the District shall pay, from Special Tax Revenues, when due, all costs and expenses incurred by the Corporation to comply with the provisions of the Trust Agreement and this Installment Sale Agreement, including, without limitation all Delivery Costs (to the extent not paid from amounts on deposit in the Delivery Costs Fund), compensation due to the Trustee for its fees, costs and expenses incurred under the Trust Agreement and the Assignment Agreement, compensation due to the Corporation for its fees, costs and expenses incurred under the Trust Agreement and all costs and expenses of attorneys, auditors, engineers and accountants.

Section 4.10. Payments to Reserve Fund. In addition to the Installment Payments, the District shall pay to the Trustee, from Special Tax Revenues, such amounts as shall be required to replenish the Reserve Fund in the event of a draw therefrom or a valuation determines that a deficiency exists therein, all in accordance with Section 6.06 of the Trust Agreement.

**Fund 30 Rossmoor Wall  
Early Pay Off**

<b>Current Payment Schedule:</b>			
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
February 1, 2016		\$4,495	\$4,495
August 1, 2016	\$75,000	\$4,495	\$79,495
February 1, 2017		\$2,320	\$2,320
August 1, 2017	\$80,000	\$2,320	\$82,320
	\$155,000	\$13,630	\$168,630
<b>Early Payoff Amount February 1, 2016</b>			
February 1, 2016	\$155,000	\$4,495	\$159,495
		Interest Savings	( <b>\$9,135</b> )
Early Pay Off		\$159,495	
Reserve in US Bank	\$47,000	\$112,495	
2015-2016 Assessments	\$87,432	\$25,063	
Transfer from Fund 30	\$25,063	\$0	
Early Payoff			
2015-2016 Beginning Fund Balance/Fund 30			\$109,390
Transfer from Fund 30 for Early Pay Off			( <b>\$25,063</b> )
Ending Fund 30 Balance to be transferred to new Fund for Wall Repair			<b>\$84,327</b>
Regular Payments		\$168,630	
Reserve in US Bank	\$47,000	\$121,630	
2015-2016 Assessments	\$87,432	\$34,198	
2016-2017 Assessments	\$87,432	( <b>\$53,234</b> )	
2015-2016 Beginning Fund Balance/Fund 30			\$109,390
Overpayment 2015-2017			\$53,234
Ending Fund 30 Balance to be transferred to new Fund for Wall Repair			<b>\$162,624</b>



**Fund 30 Early Pay Off**  
**Cash Flow Analysis January 2014-August 2015**

	Emergency Reserve				
	Bank & LAIF Balance	Fund (Unavailable Cash)	Available Cash	\$25,063 Paydown of Rush Park Bond	Available Cash
January 31, 2014	\$1,164,516	(\$250,000)	\$914,516	(\$25,063)	\$889,453
February 28, 2014	\$999,327	(\$250,000)	\$749,327	(\$25,063)	\$724,264
March 31, 2014	\$994,979	(\$250,000)	\$744,979	(\$25,063)	\$719,916
April 30, 2014	\$1,392,146	(\$250,000)	\$1,142,146	(\$25,063)	\$1,117,083
May 31, 2014	\$1,319,403	(\$250,000)	\$1,069,403	(\$25,063)	\$1,044,340
June 30, 2014	\$1,221,338	(\$250,000)	\$971,338	(\$25,063)	\$946,275
July 31, 2014	\$724,531	(\$250,000)	\$474,531	(\$25,063)	\$449,468
August 31, 2014	\$591,935	(\$250,000)	\$341,935	(\$25,063)	\$316,872
September 30, 2014	\$575,393	(\$250,000)	\$325,393	(\$25,063)	\$300,330
October 31, 2014	\$449,236	(\$250,000)	\$199,236	(\$25,063)	\$174,173
November 30, 2014	\$472,452	(\$250,000)	\$222,452	(\$25,063)	\$197,389
December 31, 2015	\$1,014,207	(\$250,000)	\$764,207	(\$25,063)	\$739,144
January 31, 2015	\$927,008	(\$250,000)	\$677,008	(\$25,063)	\$651,945
February 28, 2015	\$843,388	(\$250,000)	\$593,388	(\$25,063)	\$568,325
March 31, 2015	\$864,118	(\$250,000)	\$614,118	(\$25,063)	\$589,055
April 1, 1931	\$1,238,777	(\$250,000)	\$988,777	(\$25,063)	\$963,714
May 31, 2015	\$1,186,861	(\$250,000)	\$936,861	(\$25,063)	\$911,798
June 30, 2015	\$1,119,489	(\$250,000)	\$869,489	(\$25,063)	\$844,426
July 31, 2015	\$629,054	(\$250,000)	\$379,054	(\$25,063)	\$353,991
August 31, 2015	\$586,282	(\$250,000)	\$336,282	(\$25,063)	\$311,219

**Rush Park Early Pay Down (Fund 50)**  
**Cash Flow Analysis January 2014-August 2015**

	Emergency Reserve				
	Fund			\$210,000 Paydown of	
	Bank & LAIF Balance	(Unavailable Cash)	Available Cash	Rush Park Bond	Available Cash
January 31, 2014	\$1,164,516	(\$250,000)	\$914,516	(\$210,000)	\$704,516
February 28, 2014	\$999,327	(\$250,000)	\$749,327	(\$210,000)	\$539,327
March 31, 2014	\$994,979	(\$250,000)	\$744,979	(\$210,000)	\$534,979
April 30, 2014	\$1,392,146	(\$250,000)	\$1,142,146	(\$210,000)	\$932,146
May 31, 2014	\$1,319,403	(\$250,000)	\$1,069,403	(\$210,000)	\$859,403
June 30, 2014	\$1,221,338	(\$250,000)	\$971,338	(\$210,000)	\$761,338
July 31, 2014	\$724,531	(\$250,000)	\$474,531	(\$210,000)	\$264,531
August 31, 2014	\$591,935	(\$250,000)	\$341,935	(\$210,000)	\$131,935
September 30, 2014	\$575,393	(\$250,000)	\$325,393	(\$210,000)	\$115,393
October 31, 2014	\$449,236	(\$250,000)	\$199,236	(\$210,000)	(\$10,764)
November 30, 2014	\$472,452	(\$250,000)	\$222,452	(\$210,000)	\$12,452
December 31, 2015	\$1,014,207	(\$250,000)	\$764,207	(\$210,000)	\$554,207
January 31, 2015	\$927,008	(\$250,000)	\$677,008	(\$210,000)	\$467,008
February 28, 2015	\$843,388	(\$250,000)	\$593,388	(\$210,000)	\$383,388
March 31, 2015	\$864,118	(\$250,000)	\$614,118	(\$210,000)	\$404,118
April 30, 2015	\$1,238,777	(\$250,000)	\$988,777	(\$210,000)	\$778,777
May 31, 2015	\$1,186,861	(\$250,000)	\$936,861	(\$210,000)	\$726,861
June 30, 2015	\$1,119,489	(\$250,000)	\$869,489	(\$210,000)	\$659,489
July 31, 2015	\$629,054	(\$250,000)	\$379,054	(\$210,000)	\$169,054
August 31, 2015	\$586,282	(\$250,000)	\$336,282	(\$210,000)	\$126,282