

AGENDA

ROSSMOOR COMMUNITY SERVICES DISTRICT

AUDIT COMMITTEE MEETING

**RUSH PARK
WEST ROOM
3021 Blume Drive
Rossmoor, California 90720**

RESCHEDULED

**Thursday, September 28, 2023
7:00 p.m.**

A. ORGANIZATION

1. CALL TO ORDER: 7:00 p.m.
2. ROLL CALL: Directors Maynard and Shade
3. PLEDGE OF ALLEGIANCE

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

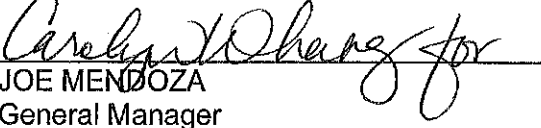
1. DISCUSSION WITH THE GENERAL MANAGER AND DISTRICT AUDITOR REGARDING THE FY 2022-2023 ANNUAL AUDIT REPORT

D. ADJOURNMENT

CERTIFICATION OF POSTING

I hereby certify that the attached Agenda for the September 28, 2023, 7:00 p.m., Audit Committee Meeting of the Rossmoor Community Services District was posted at least 24 hours prior to the time of the meeting.

ATTEST:



JOE MENDOZA
General Manager

Date: 9/26/23

ROSSMOOR COMMUNITY SERVICES DISTRICT

AGENDA ITEM C-1

Date: September 27, 2023

To: Audit Committee
Michael Maynard, Chair
Jo Shade

From: General Manager Joe Mendoza

Subject: DISCUSSION WITH GENERAL MANAGER AND DISTRICT AUDITORS
REGARDING FY 2022-2023 ANNUAL AUDIT REPORT

RECOMMENDATION

It is recommended that the Rossmoor Community Services District (RCSD) Audit Committee review and approve the FY 2022-2023 Annual Audit Report and forward the document to the RCSD Board of Directors for approval at their October 10, 2023 regular meeting.

INFORMATION

Your agenda package for this meeting includes the DRAFT *Financial Statements and Independent Auditor's report for the year ended June 30, 2023* (Attachment 1). Audited by Rogers, Anderson, Malody & Scott LLP (RAMS), the District Auditor. Also included for your information is the FINAL *Financial Statements and Independent Auditor's Report for the Year Ended June 30, 2022* (Attachment 2) for reference.

Financial Highlights

- For the FY 2022-2023 the combined fund balance increased \$311,051 from \$1,417,511 (refer to page 8) to \$1,728,562.
- Total Revenues recognized was \$2,088,935 for FY 2022-2023 and \$2,025,495 for FY 2021-2022, an increase of \$63,440 compared to FY 2021-2022.
- Total Expenditures incurred was \$1,777,884 for FY 2022-2023 and \$1,891,884 for FY 2021-2022, an decrease of \$114,000 compared to FY 2021-2022 and was under/over the adopted budget by \$188,072.
- During FY 2022-2023, the District submitted a request for reimbursement for Proposition 68 grant funding for work that was completed at Rossmoor and Rush Parks. An 80%

reimbursement was received within the 2nd Quarter 2023 in the amount of \$79,766. The balance of approximately \$70,000 will be utilized for future projects.

ATTACHMENTS

1. DRAFT – Rossmoor Community Services District Financial Statements and Independent Auditor’s Report for the Year Ended June 30, 2023.
2. FINAL – Rossmoor Community Services District Financial Statements and Independent Auditor’s Report for the Year Ended June 30, 2022.

Rossmoor Community Services District

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

For the Year Ended

June 30, 2023

Rossmoor Community Services District

Financial Statements with Independent Auditor's Report
June 30, 2023

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Independent Auditor's Report

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 and the major fund information of Rossmoor Community Services District (the District), as of and for the year ended June 30, 2023, 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 and the major fund information of the District, as of June 30, 2023, 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* (GAS), 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.

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 twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 and GAS 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 and GAS, 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 September XX, 2022, 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.

San Bernardino, California
September XX, 2023

Government-Wide Financial Statements
Statement of Net Position
June 30, 2023

	Governmental Activities
ASSETS	
Cash and investments	\$ 1,681,426
Receivables:	
Accounts	78,456
Taxes	27,138
Interest	11,407
Capital assets not being depreciated	2,866,408
Capital assets being depreciated, net	<u>1,111,294</u>
Total assets	<u>5,776,129</u>
LIABILITIES	
Accounts payable	64,520
Deposits	5,345
Compensated absences - due within one year	26,475
Compensated absences - due in more than one year	<u>7,908</u>
Total liabilities	<u>104,248</u>
NET POSITION	
Investment in capital assets	3,977,702
Unrestricted	<u>1,694,179</u>
Total net position	<u><u>\$ 5,671,881</u></u>

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

Government-Wide Financial Statements
Statement of Activities
For the Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues		Net Governmental Activities
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
General government	\$ 966,182	\$ -	\$ -	\$ (966,182)
Public services	317,481	78,456	-	(239,025)
Parks and recreation	655,270	118,870	-	(456,634)
Total governmental activities	<u>\$ 1,938,933</u>	<u>\$ 197,326</u>	<u>\$ -</u>	<u>(1,661,841)</u>
General revenues:				
Taxes:				
Property				1,244,715
Special assessments				435,119
Investment income				7,514
Other				<u>49,495</u>
Total general revenues				<u>1,736,843</u>
Change in net position				75,002
Net Position:				
Beginning of year				<u>5,596,879</u>
End of year				<u>\$ 5,671,881</u>

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

Governmental Funds Financial Statements
Balance Sheet
June 30, 2023

	<u>General</u>
ASSETS	
Cash and investments	\$ 1,681,426
Receivables:	
Accounts	78,456
Taxes	27,138
Interest	<u>11,407</u>
Total assets	<u>\$ 1,798,427</u>
LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable	\$ 64,520
Deposits	<u>5,345</u>
Total liabilities	<u>69,865</u>
Fund balance:	
Unassigned	<u>1,728,562</u>
Total fund balance	<u>1,728,562</u>
Total liabilities and fund balance	<u>\$ 1,798,427</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, 2023

Fund balance of governmental fund \$ 1,728,562

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. 3,977,702

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

Compensated absences (34,383)

Net position of governmental activities \$ 5,671,881

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

Governmental Funds Financial Statements
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2023

	<u>General</u>
REVENUES	
Taxes	\$ 1,244,715
Special assessments	435,119
Intergovernmental	158,222
Charges for services	193,870
Investment income	7,514
Other	<u>49,495</u>
Total revenues	<u>2,088,935</u>
EXPENDITURES	
General government	963,573
Public services	317,481
Parks and recreation	399,119
Capital outlay	<u>97,711</u>
Total expenditures	<u>1,777,884</u>
Net change in fund balance	311,051
FUND BALANCE	
Beginning of year	<u>1,417,511</u>
End of year	<u><u>\$ 1,728,562</u></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
Balance of Governmental Fund to the Government-Wide Statement of Activities
For the Year Ended June 30, 2023

Net change in fund balance - total governmental funds \$ 311,051

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 (\$162,949) exceeded capitalized capital outlay (\$-0-) in the current period. (162,949)

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 1,900

Certain revenues are recorded as unavailable revenue in the governmental funds because they do not meet the revenue recognition criteria of availability. However, they are included as revenue in the Governmental-Wide Statement of Activities. (75,000)

Change in net position of governmental activities \$ 75,002

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, 2023

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.

**Notes to Basic Financial Statements
For the Year Ended June 30, 2023**

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.

The District reports the following major governmental fund:

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 are paid from this fund.

**Notes to Basic Financial Statements
For the Year Ended June 30, 2023**

Note 1 – Summary of Significant Accounting Policies (Continued)**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.

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. There was no allowance for doubtful accounts at June 30, 2023.

Rossmoor Community Services District

Notes to Basic Financial Statements
For the Year Ended June 30, 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

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

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

Notes to Basic Financial Statements
For the Year Ended June 30, 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

K. Fund Balance

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.

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, 2023 consists of County street sweeping reimbursements of \$78,456 and the Prop 68 grant of \$79,766. These intergovernmental revenues are presented as program revenues under the public services and general government functions/programs in the statement of activities.

Rossmoor Community Services District

Notes to Basic Financial Statements
For the Year Ended June 30, 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

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.

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.

Note 3 – Cash and Investments

Cash and investments as of June 30, 2023 consist of the following.

Cash on hand	\$ 132,913
Demand deposits	399
Local Agency Investment Fund	<u>1,548,114</u>
Total cash and investments	<u>\$ 1,681,426</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, 2023

Note 3 – Cash and Investments (Continued)

Investments Authorized by the California Government Code and 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%	\$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, 2023 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.

Rossmoor Community Services District

Notes to Basic Financial Statements
For the Year Ended June 30, 2023

Note 3 – Cash and Investments (Continued)

Local Agency Investment Fund (Continued)

As of June 30, 2023, the District had \$1,548,114 invested in LAIF, which had invested 1.46% 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, 2023. 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>.

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:

Investment Type	Total	12 months or less	12 months or more
Local Agency Investment Fund	\$ 1,548,114	\$ 1,548,114	\$ -

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.

Investment Type	Total	Minimum Legal Rating	Rating as of Year End
Local Agency Investment Fund	\$ 1,548,114	N/A	Not rated

Rossmoor Community Services District

Notes to Basic Financial Statements
For the Year Ended June 30, 2023

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 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 California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits. The California Government Code requires that a financial institution secure deposit made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. 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.

The District's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the District's name. California law also allows institutions to secure the District deposits by pledging first trust deed mortgage notes having a value of 150% of the District's total cash deposits. The District may waive collateral requirements for cash deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation ("FDIC"). The District did not waive the collateralization requirements.

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

**Notes to Basic Financial Statements
For the Year Ended June 30, 2023**

Note 4 – Capital Assets

A summary of changes in capital assets activity for the District's governmental activities for the year ended June 30, 2023 is as follows.

	Balance at June 30, 2022	Increases	Decreases	Balance at June 30, 2023
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 2,861,158	\$ -	\$ -	\$ 2,861,158
Construction in progress	5,250	-	-	5,250
Total capital assets, not being depreciated	2,866,408	-	-	2,866,408
Capital assets, being depreciated:				
Buildings and structures	4,512,273	-	-	4,512,273
Equipment	44,234	-	-	44,234
Motorized vehicles	59,703	-	-	59,703
Total capital assets, being depreciated	4,616,210	-	-	4,616,210
Less accumulated depreciation for:				
Buildings and structures	(3,295,126)	(152,120)	-	(3,447,246)
Equipment	(6,477)	(4,509)	-	(10,986)
Motorized vehicles	(40,364)	(6,320)	-	(46,684)
Total accumulated depreciation	(3,341,967)	(162,949)	-	(3,504,916)
Total capital assets, being depreciated, net	1,274,243	(162,949)	-	1,111,294
Governmental activities capital assets, net	\$ 4,140,651	\$ (162,949)	\$ -	\$ 3,977,702

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

General government	\$ 4,509
Parks and recreation	158,440
	<u>\$ 162,949</u>

Rossmoor Community Services District

Notes to Basic Financial Statements
For the Year Ended June 30, 2023

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, 2023 is as follows.

	Balance at June 30, 2022	Additions	Deletions	Balance at June 30, 2023	Due Within One Year
Compensated absences	\$ 36,283	\$ 40,616	\$ (42,516)	\$ 34,383	\$ 26,475

Note 6 – 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, 2021 to July 1, 2022

Limit: \$50 million combined single limit per occurrence

Workers' Compensation Coverage

Period: July 1, 2021 to July 1, 2022

Limit: Statutory benefits, and \$10 million employer's liability

Pollution Legal Liability Insurance

Period: July 1, 2021 to July 1, 2022

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

All Risk Property Insurance

Period: July 1, 2021 to July 1, 2022

Deductibles: (a) \$10,000 for Building and Contents, (b) 5% for optional Earthquake and Flood, and (c) \$5,000 for optional Mechanical Breakdown

Crime Insurance

Period: July 1, 2021 to July 1, 2022

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

Notes to Basic Financial Statements
For the Year Ended June 30, 2023

Note 6 – Risk Management (Continued)

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.

Note 7 – Commitment and Contingencies

Grants and Contracts

The District has grants and contracts with government agencies which are subject to audit. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined. Management believes that any liability which may result from these audits would not be material.

Claims and Contingencies

The District is subject to claims and contingencies related to lawsuits and other matters arising out of the normal course of business. Management believes the ultimate liabilities associated with such claims and contingencies, if any, is not likely to have material adverse effect on the financial position or results of the District.

Rossmoor Community Services District

Required Supplementary Information
General Fund – Budgetary Comparison Schedule
For the Year Ended June 30, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 1,159,000	\$ 1,288,000	\$ 1,244,715	\$ (43,285)
Special assessments	390,600	390,600	435,119	44,519
Intergovernmental	150,000	150,000	158,222	8,222
Charges for services	214,300	214,300	193,870	(20,430)
Investment income	3,000	3,000	7,514	4,514
Other	35,000	35,000	49,495	14,495
Total revenues	<u>1,951,900</u>	<u>2,080,900</u>	<u>2,088,935</u>	<u>8,035</u>
EXPENDITURES				
General government	1,045,406	1,045,406	963,573	81,833
Public services	315,000	315,000	317,481	(2,481)
Parks and recreation	394,000	428,550	399,119	29,431
Capital outlay	177,000	177,000	97,711	79,289
Total expenditures	<u>1,931,406</u>	<u>1,965,956</u>	<u>1,777,884</u>	<u>188,072</u>
Net change in fund balance	<u>\$ 20,494</u>	<u>\$ 114,944</u>	<u>311,051</u>	<u>\$ 196,107</u>
FUND BALANCE				
Beginning of year			<u>1,417,511</u>	
End of year			<u>\$ 1,728,562</u>	

Rossmoor Community Services District

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

For the Year Ended

June 30, 2022

Rossmoor Community Services District

**Financial Statements with Independent Auditor's Report
June 30, 2022**

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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 and the major fund information of Rossmoor Community Services District (the District), as of and for the year ended June 30, 2022, 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 and the major fund information of the District, as of June 30, 2022, 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.

PARTNERS

Terry P. Shea, CPA
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Bradferd A. Welebr, CPA, MBA, CGMA
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Brenda L. Odle, CPA, MST (Partner Emeritus)

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MEMBERS

American Institute of
Certified Public Accountants

*PCPS The AICPA Alliance
for CPA Firms*

*Governmental Audit
Quality Center*

*Employee Benefit Plan
Audit Quality Center*

California Society of
Certified Public Accountants



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 twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 5, 2022, 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 5, 2022

Rossmoor Community Services District

**Government-Wide Financial Statements
Statement of Net Position
June 30, 2022**

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 1,338,959
Receivables:	
Accounts	148,521
Taxes	23,165
Interest	2,461
Capital assets not being depreciated	2,866,408
Capital assets being depreciated, net	<u>1,274,243</u>
 Total assets	 <u>5,653,757</u>
LIABILITIES	
Accounts payable	18,220
Deposits	2,375
Compensated absences - due within one year	27,938
Compensated absences - due in more than one year	<u>8,345</u>
 Total liabilities	 <u>56,878</u>
NET POSITION	
Investment in capital assets	4,140,651
Unrestricted	<u>1,456,228</u>
 Total net position	 <u>\$ 5,596,879</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, 2022**

Functions/Programs	Expenses	Program Revenues		Net Governmental Activities
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
General government	\$ 1,039,845	\$ -	\$ 118,578	\$ -
Public services	332,453	73,521	-	-
Parks and recreation	626,946	206,086	-	75,000
Total governmental activities	<u>\$ 1,999,244</u>	<u>\$ 279,607</u>	<u>\$ 118,578</u>	<u>\$ 75,000</u>
General revenues:				
Taxes:				
Property				1,150,515
Special assessments				391,510
Investment income				4,662
Other				80,623
Total general revenues				<u>1,627,310</u>
Change in net position				101,251
Net Position:				
Beginning of year				<u>5,495,628</u>
End of year				<u>\$ 5,596,879</u>

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

Rossmoor Community Services District

Governmental Funds Financial Statements

Balance Sheet

June 30, 2022

	<u>General</u>
ASSETS	
Cash and investments	\$ 1,338,959
Receivables:	
Accounts	148,521
Taxes	23,165
Interest	<u>2,461</u>
Total assets	<u>\$ 1,513,106</u>
LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable	\$ 18,220
Deposits	<u>2,375</u>
Total liabilities	<u>20,595</u>
Deferred inflows of resources:	
Unavailable revenue	<u>75,000</u>
Total deferred inflows of resources	<u>75,000</u>
Fund balance:	
Unassigned	<u>1,417,511</u>
Total fund balance	<u>1,417,511</u>
Total liabilities and fund balance	<u>\$ 1,513,106</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, 2022**

Fund balance of governmental fund	\$ 1,417,511
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.	4,140,651
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Compensated absences	(36,283)
Revenues are recorded as unavailable revenue in the governmental funds because they do not meet the revenue recognition criteria. However, they are classified as revenues in the Government-Wide Financial Statements.	<u>75,000</u>
Net position of governmental activities	<u><u>\$ 5,596,879</u></u>

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 Balance
For the Year Ended June 30, 2022**

	<u>General</u>
REVENUES	
Taxes	\$ 1,150,515
Special assessments	391,510
Intergovernmental	192,099
Charges for services	206,086
Investment income	4,662
Other	<u>80,623</u>
Total revenues	<u>2,025,495</u>
EXPENDITURES	
General government	1,035,577
Public services	332,453
Parks and recreation	380,519
Capital outlay	<u>143,335</u>
Total expenditures	<u>1,891,884</u>
Net change in fund balance	133,611
FUND BALANCE	
Beginning of year	<u>1,283,900</u>
End of year	<u><u>\$ 1,417,511</u></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
Balance of Governmental Fund to the Government-Wide Statement of Activities
For the Year Ended June 30, 2022**

Net change in fund balance - total governmental funds \$ 133,611

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 (\$163,016) exceeded capitalized capital outlay (\$54,531) in the current period. (108,485)

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 1,125

Certain revenues are recorded as unavailable revenue in the governmental funds because they do not meet the revenue recognition criteria of availability. However, they are included as revenue in the Governmental-Wide Statement of Activities. 75,000

Change in net position of governmental activities \$ 101,251

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, 2022

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, 2022**

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.

The District reports the following major governmental fund:

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 are paid from this fund.

Rossmoor Community Services District

Notes to Basic Financial Statements For the Year Ended June 30, 2022

Note 1 – Summary of Significant Accounting Policies (Continued)

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.

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. There was no allowance for doubtful accounts at June 30, 2022.

Rossmoor Community Services District

Notes to Basic Financial Statements
For the Year Ended June 30, 2022

Note 1 – Summary of Significant Accounting Policies (Continued)

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

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

Rossmoor Community Services District

**Notes to Basic Financial Statements
For the Year Ended June 30, 2022**

Note 1 – Summary of Significant Accounting Policies (Continued)

K. Fund Balance

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.

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, 2022 consists of County street sweeping reimbursements of \$73,521 and County grants of \$118,578. These intergovernmental revenues are presented as program revenues under the public services and general government functions/programs in the statement of activities.

Rossmoor Community Services District

**Notes to Basic Financial Statements
For the Year Ended June 30, 2022**

Note 1 – Summary of Significant Accounting Policies (Continued)

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.

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, 2022, expenditures in excess of appropriations (legally adopted annually budget) are as follows.

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
General Fund	\$ 1,951,400	\$ 1,891,884	\$ -

Note 3 – Cash and Investments

Cash and investments as of June 30, 2022 consist of the following.

Cash on hand	\$ 400
Demand deposits	86,844
Local Agency Investment Fund	<u>1,251,715</u>
Total cash and investments	<u>\$ 1,338,959</u>

Rossmoor Community Services District

**Notes to Basic Financial Statements
For the Year Ended June 30, 2022**

Note 3 – Cash and Investments (Continued)

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.

<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, 2022 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.

Rossmoor Community Services District

**Notes to Basic Financial Statements
For the Year Ended June 30, 2022**

Note 3 – Cash and Investments (Continued)

Local Agency Investment Fund (Continued)

As of June 30, 2022, the District had \$1,251,715 invested in LAIF, which had invested 1.14% 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, 2022. 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>.

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	\$ 1,251,715	\$ 1,251,715	\$ -

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	\$ 1,251,715	N/A	Not rated

Rossmoor Community Services District

**Notes to Basic Financial Statements
For the Year Ended June 30, 2022**

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, 2022, 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, 2022**

Note 4 – Capital Assets

A summary of changes in capital assets activity for the District's governmental activities for the year ended June 30, 2022 is as follows.

	Balance at June 30, 2021	Increases	Decreases	Balance at June 30, 2022
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 2,861,158	\$ -	\$ -	\$ 2,861,158
Construction in progress	5,250	-	-	5,250
Total capital assets, not being depreciated	2,866,408	-	-	2,866,408
Capital assets, being depreciated:				
Buildings and structures	4,496,623	15,650	-	4,512,273
Equipment	5,353	38,881	-	44,234
Motorized vehicles	59,703	-	-	59,703
Total capital assets, being depreciated	4,561,679	54,531	-	4,616,210
Less accumulated depreciation for:				
Buildings and structures	(3,142,012)	(153,114)	-	(3,295,126)
Equipment	(1,084)	(5,393)	-	(6,477)
Motorized vehicles	(35,855)	(4,509)	-	(40,364)
Total accumulated depreciation	(3,178,951)	(163,016)	-	(3,341,967)
Total capital assets, being depreciated, net	1,382,728	(108,485)	-	1,274,243
Governmental activities capital assets, net	\$ 4,249,136	\$ (108,485)	\$ -	\$ 4,140,651

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

General government	\$ 5,393
Parks and recreation	157,623
	<u>\$ 163,016</u>

Rossmoor Community Services District

**Notes to Basic Financial Statements
For the Year Ended June 30, 2022**

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, 2022 is as follows.

	Balance June 30, 2021	Additions	Deletions	Balance June 30, 2022	Due Within One Year
Compensated absences	\$ 37,408	\$ 58,237	\$ (59,362)	\$ 36,283	\$ 27,938

Note 6 – 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, 2021 to July 1, 2022

Limit: \$50 million combined single limit per occurrence

Workers' Compensation Coverage

Period: July 1, 2021 to July 1, 2022

Limit: Statutory benefits, and \$10 million employer's liability

Pollution Legal Liability Insurance

Period: July 1, 2021 to July 1, 2022

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

All Risk Property Insurance

Period: July 1, 2021 to July 1, 2022

Deductibles: (a) \$10,000 for Building and Contents, (b) 5% for optional Earthquake and Flood, and (c) \$5,000 for optional Mechanical Breakdown

Crime Insurance

Period: July 1, 2021 to July 1, 2022

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

Rossmoor Community Services District

**Notes to Basic Financial Statements
For the Year Ended June 30, 2022**

Note 6 – Risk Management (Continued)

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.

Note 7 – Commitment and Contingencies

Grants and Contracts

The District has grants and contracts with government agencies which are subject to audit. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined. Management believes that any liability which may result from these audits would not be material.

Claims and Contingencies

The District is subject to claims and contingencies related to lawsuits and other matters arising out of the normal course of business. Management believes the ultimate liabilities associated with such claims and contingencies, if any, is not likely to have material adverse effect on the financial position or results of the District.

Rossmoor Community Services District

**Required Supplementary Information
General Fund – Budgetary Comparison Schedule
For the Year Ended June 30, 2022**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 1,100,000	\$ 1,100,000	\$ 1,150,515	\$ 50,515
Special assessments	372,000	372,000	391,510	19,510
Intergovernmental	258,000	356,000	192,099	(163,901)
Charges for services	137,300	179,300	206,086	26,786
Investment income	9,600	2,500	4,662	2,162
Other	19,000	59,000	80,623	21,623
Total revenues	<u>1,895,900</u>	<u>2,068,800</u>	<u>2,025,495</u>	<u>(43,305)</u>
EXPENDITURES				
General government	940,700	1,027,000	1,035,577	(8,577)
Public services	290,000	325,000	332,453	(7,453)
Parks and recreation	330,200	382,400	380,519	1,881
Capital outlay	217,000	217,000	143,335	73,665
Total expenditures	<u>1,777,900</u>	<u>1,951,400</u>	<u>1,891,884</u>	<u>59,516</u>
Net change in fund balance	<u>\$ 118,000</u>	<u>\$ 117,400</u>	133,611	<u>\$ 16,211</u>
FUND BALANCE				
Beginning of year			<u>1,283,900</u>	
End of year			<u>\$ 1,417,511</u>	