



**WRIGHTWOOD COMMUNITY SERVICES DISTRICT
FINANCIAL STATEMENTS
June 30, 2018**



WRIGHTWOOD COMMUNITY SERVICES DISTRICT
TABLE OF CONTENTS
June 30, 2018

Page

BASIC FINANCIAL STATEMENTS

Independent Auditors' Report	1
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Government-wide Financial Statements:

Statement of Net Position	4
Statement of Activities	5

Fund Financial Statements

Governmental Fund Financial Statements:

Balance Sheet	6
Reconciliation of Governmental Funds Balance Sheet to Government-Wide	
Statement of Net Position	7
Statement of Revenues, Expenditures and Changes in Fund Balances	8
Reconciliation of the Governmental Funds Statement of Revenues, and	
Expenditures and Changes in Fund Balances to the Government-Wide	
Statement of Activities	9

Proprietary Fund Financial Statements:

Statement of Net Position	10
Statement of Revenues, Expenses and Changes in Net Position.	11
Statement of Cash Flows	12

Notes to Financial Statements.	13
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REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule – General Fund	24
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Eadie + Payne, LLP

3880 Lemon St., Ste. 300
Riverside, CA 92501

P.O. Box 1529
Riverside, CA 92502-1529

Office: 951-241-7800

www.eadiepaynellp.com

**Certified Public Accountants
& Business Advisors**

INDEPENDENT AUDITORS' REPORT

Board of Directors
Wrightwood Community Services District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Wrightwood Community Services District, (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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, 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*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Board of Directors
Wrightwood Community Services District

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 governmental activities, business-type activities, and each major fund of the District as of June 30, 2018 and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted 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.

Board of Directors
Wrightwood Community Services District

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 24 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 15, 2019, 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 the District's 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.

Eddie and Payne HP

July 15, 2019
Riverside, California

WRIGHTWOOD COMMUNITY SERVICES DISTRICT
STATEMENT OF NET POSITION
June 30, 2018

	Governmental Activities	Business- Type Activities	Total
Assets			
Cash and cash equivalents	\$ 45,403	\$ 136,317	\$ 181,720
Accounts and other receivables, net	4,634	2,691	7,325
Prepaid expenses	6,070	2,602	8,672
Capital assets, net of accumulated depreciation	<u>602,339</u>	<u>1,572</u>	<u>603,911</u>
Total assets	<u>658,446</u>	<u>143,182</u>	<u>801,628</u>
Liabilities			
Accounts payables and accrued expenses	7,614	27,989	35,603
Accrued salaries and benefits	3,182	1,364	4,546
Current portion of notes payable	37,083	10,583	47,666
Long-term portion of notes payable	<u>48,033</u>	<u>21,167</u>	<u>69,200</u>
Total liabilities	<u>95,912</u>	<u>61,103</u>	<u>157,015</u>
Net position			
Net investment in capital assets	548,973	1,572	550,545
Restricted for park and streetlight maintenance	-	-	-
Unrestricted	<u>13,561</u>	<u>80,507</u>	<u>94,068</u>
Total net position	<u>\$ 562,534</u>	<u>\$ 82,079</u>	<u>\$ 644,613</u>

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

WRIGHTWOOD COMMUNITY SERVICES DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018

	Governmental Activities	Business-Type Activities	Total
Expenses			
Solid waste disposal fees	\$ -	\$ 113,585	\$ 113,585
Professional services	34,680	29,962	64,642
Salaries and benefits	24,830	19,135	43,965
Recreation fees	1,092	-	1,092
Maintenance	19,281	1,353	20,634
Utilities	17,246	1,692	18,938
Insurance	5,587	1,518	7,105
Office expenses	3,231	5,045	8,276
Election costs	31,750	31,750	63,500
Depreciation expense	26,743	524	27,267
Interest expense	688	-	688
Total expenses	<u>165,128</u>	<u>204,564</u>	<u>369,692</u>
Program revenues			
Special assessments	-	225,641	225,641
Franchise fees	-	61,002	61,002
Rental revenue	17,266	-	17,266
Recreation charges	5,011	-	5,011
Total program expenses	<u>22,277</u>	<u>286,643</u>	<u>308,920</u>
Net program revenues (expenses)	<u>(142,851)</u>	<u>82,079</u>	<u>(60,772)</u>
General revenues			
Property taxes	<u>130,212</u>	<u>-</u>	<u>130,212</u>
Total general revenues	<u>130,212</u>	<u>-</u>	<u>130,212</u>
Special item			
Special item	<u>575,173</u>	<u>-</u>	<u>575,173</u>
Changes in net position	<u>562,534</u>	<u>82,079</u>	<u>644,613</u>
Net position at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Net position at end of year	<u>\$ 562,534</u>	<u>\$ 82,079</u>	<u>\$ 644,613</u>

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

WRIGHTWOOD COMMUNITY SERVICES DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
 June 30, 2018

	<u>Parks & Streetlights</u>
Assets	
Cash and cash equivalents	\$ 45,403
Accounts and other receivables, net	4,634
Prepaid expenses	<u>6,070</u>
Total assets	<u><u>\$ 56,107</u></u>
Liabilities and Fund Balances	
Liabilities	
Accounts payables and accrued expenses	\$ 7,614
Accrued salaries and benefits	<u>3,182</u>
Total liabilities	<u>10,796</u>
Fund balance	
Nonspendable - prepaid expenses	6,070
Unassigned	<u>39,241</u>
Total fund balance	<u>45,311</u>
 Total liabilities and fund balance	 <u><u>\$ 56,107</u></u>

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

WRIGHTWOOD COMMUNITY SERVICES DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
June 30, 2018

Fund balances of governmental funds	\$	45,311
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets net of depreciation have not been included as financial resources in governmental fund activity.		602,339
Long-term debt has not been included as a liability in governmental fund activity:		
Notes payable		(85,116)
Net position of governmental activities	\$	<u>562,534</u>

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

WRIGHTWOOD COMMUNITY SERVICES DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2018

	Parks & Streetlights
Revenues	
Property taxes	\$ 130,212
Rental revenue	17,266
Recreation charges	<u>5,011</u>
Total operating revenue	<u>152,489</u>
Expenditures	
Professional services	34,680
Salaries and benefits	24,830
Recreation fees	1,092
Maintenance	19,281
Utilities	17,246
Insurance	5,587
Office expenses	3,231
Debt service payment:	
Principal and interest expense	<u>27,000</u>
Total operating expenses	<u>132,947</u>
Operating income	<u>19,542</u>
Special Item	
Special item	<u>25,769</u>
Net change in fund balances	<u>45,311</u>
Fund balance, beginning of year	<u>-</u>
Fund balance, end of year	<u>\$ 45,311</u>

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

WRIGHTWOOD COMMUNITY SERVICES DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES For the Year Ended June 30, 2018

Net change in fund balances - total governmental funds	\$	45,311
Amounts reported for governmental activities in the Statement of Activities are different because:		
When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of financial resources expended, whereas net assets decreased by the amount of depreciation expense charged for the year, net of disposals.		
Depreciation expense		(26,743)
In the statement of activities, only interest on long term notes payable is reported. However, in the governmental funds, principal payments decrease financial resources. Thus the change in net assets differs from the change in fund balance by the principal, as well as, issuance of debt.		
Debt service principal payments		26,312
Election costs financed by issuance of note payable are not reported in the governmental funds.		
Election costs		(31,750)
Special item related to the transfer of capital assets and the related long-term debt from the County of San Bernardino that has not been included in governmental fund activity.		
Special item		549,404
Changes in net position of governmental activities	\$	<u>562,534</u>

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

WRIGHTWOOD COMMUNITY SERVICES DISTRICT
Statement of Net Position
Proprietary Funds (Enterprise)
June 30, 2018

Assets

Current Assets

Cash and cash equivalents	\$	136,317
Accounts receivable, net		2,691
Prepaid expenses		<u>2,602</u>
Total Current Assets		<u>141,610</u>

Non Current Assets

Capital Assets

Equipment		2,096
Less accumulated depreciation		<u>(524)</u>
Total Non Current Assets		<u>1,572</u>
Total Assets	\$	<u><u>143,182</u></u>

Liabilities

Current Liabilities

Accounts payable and accrued expenses	\$	27,989
Accrued salaries and benefits		1,364
Current portion of notes payable		<u>10,583</u>
Total Current Liabilities		39,936

Noncurrent Liabilities

Notes payable		<u>21,167</u>
Total liabilities		<u>61,103</u>

Net position

Net investment in capital assets		1,572
Unrestricted		<u>80,507</u>
Total net position		<u>82,079</u>
Total liabilities and net position	\$	<u><u>143,182</u></u>

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

WRIGHTWOOD COMMUNITY SERVICES DISTRICT
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds (Enterprise)
For the Year Ended June 30, 2018

Operating Revenue

Special assessments	\$ 225,641
Franchise fees	61,002
Total operating revenue	<u>286,643</u>

Operating Expenses

Solid waste disposal fees	113,585
Professional services	29,962
Salaries and benefits	19,135
Maintenance	1,353
Utilities	1,692
Insurance	1,518
Office expenses	5,045
Depreciation	<u>524</u>
Total operating expenses	<u>172,814</u>
Operating income	<u>113,829</u>

Non-Operating Expenses

Election Costs	<u>31,750</u>
Change in net position	<u>82,079</u>
Net position at beginning of year	<u>-</u>
Net position at end of year	<u><u>\$ 82,079</u></u>

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

WRIGHTWOOD COMMUNITY SERVICES DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (ENTERPRISE)
For the Year Ended June 30, 2018

Cash Flows From Operating Activities

Receipts from customers and others	\$ 283,952
Payments to vendors for materials and services	(127,768)
Payments to employees for salaries and benefits	(17,771)
Net cash provided by operating activities	<u>138,413</u>

Cash Flows from Capital Activities

Purchase of capital assets	<u>(2,096)</u>
Net cash flows used by capital activities	<u>(2,096)</u>

Net increase in cash and cash equivalents 136,317

Cash and cash equivalents-Beginning of Year -

Cash and cash equivalents-End of Year \$ 136,317

Reconciliation of Operating Income to

Net Cash Provided (Used) by Operating Activities

Operating income \$ 113,829

Adjustments to reconcile operating income

to net cash provided by operating activities:

Depreciation 524

Change in Assets and Liabilities

(Increase) Decrease in accounts receivable (2,691)

(Increase) Decrease in prepaid expense (2,602)

Increase (Decrease) in accounts payable 27,989

Increase (Decrease) in accrued salaries and benefits 1,364

Net cash provided by operating activities \$ 138,413

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

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Operations of the Reporting Entity

The Wrightwood Community Services District (District) was established by an action of the LAFCO for San Bernardino County which was a reorganization that included the formation of Wrightwood Community Services District and the dissolution of County Service Area 56.

The District was formed to provide the following services:

Street Lighting - Acquire, construct, improve, maintain and operate street lighting and landscaping on public property, public right-of-ways, and public easements.

Park and Recreation - Acquire, construct, improve, maintain, and operate recreation facilities, including, but not limited to, parks and open space, in the same manner as a recreation and park district formed pursuant to the Recreation and Park District Law of the Public Resources Code.

Solid Waste and Recycling - Collect, transfer, and dispose of solid waste and refuse and provide solid waste handling service, including, but not limited to, source reduction, recycling, composting activities, pursuant to Division 30, and consistent with Section 41821.2 of the Public Resources Code.

Wastewater (Currently inactive) - Planning and engineering for the potential development of a regional wastewater treatment system should such be required by the Lahontan Regional Water Quality Control Board in the same manner as a sanitary district, formed pursuant to Sanitary District Act of 1923 Division 6 of the Health and Safety Code.

Government-wide and fund financial statements

The government-wide financial statements (e.g., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the reporting entity. For the most part, the effect of interfund activity has been removed from these 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 statement of activities demonstrates the degree to which the expenses of a given function or segment are offset by program revenues. *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. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

NOTES TO FINANCIAL STATEMENTS (Continued)

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement focus, basis of accounting, and financial statements presentation (continued)

Separate financial statements are provided from governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Currently, the District does not have fiduciary fund types. Major individual governmental funds are reported as separate columns in the fund financial statements.

The government-wide 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 a liability is incurred, regardless of the timing of 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 with 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 period. 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 and claims and judgments, are recorded only when payment is due.

Property taxes are considered to be susceptible to accrual and have been recognized as revenues in the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. 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 funds:

Parks & Streetlights Fund - provides park and recreation services along with one community center and one senior center for the community of Wrightwood. Additionally, accounts for financial resources to provide and maintain streetlights and landscaping on public property within the community of Wrightwood.

NOTES TO FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement focus, basis of accounting, and financial statements presentation

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. In these funds, receivables have been recorded as revenue and provisions have been made for uncollectible amounts.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for the proprietary funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District reports the following major proprietary funds:

Solid Waste Fund – accounts for the funds received and expended for the District's solid waste and recycling services.

The accounting policies of the District conform to generally accepted accounting principles as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided 2) operating grants and contribution, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources as they are needed.

NOTES TO FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Cash and Cash Equivalents

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 date of acquisition.

Interfund receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (e.g., the current portion of interfund loans) or "advances to/from other funds" (e.g., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances". The District does not have any interfund receivables or payables at June 30, 2018.

Property and Special Assessment Taxes

Secured property taxes and special assessment are levied in two equal installments, November 1 and February 1. They become delinquent with penalties on December 10 and April 10, respectively. The lien date is January 1 of each year. Unsecured property taxes are due on March 1 and become delinquent with penalties on August 31.

Accounts receivable

No allowance for uncollectibles was recorded at June 30, 2018, based on management's expectation that all accounts receivable will be collected.

NOTES TO FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories and prepaid items

Inventories, if any, are valued at cost using the first-in/first-out method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital assets

Capital assets, which include land, improvements to land, structure and improvements, and equipment, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the District as assets with have an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation in accordance with GASB Statement No. 72.

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvement are capitalized as projects are constructed.

Depreciable capital assets of the government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Improvements to land	20-45
Structure and improvements	45
Equipment	3-15

Fund Equity

The District implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classification describes the relative strength of the spending constraints placed on the purpose for which the resources can be used:

NOTES TO FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- *Nonspendable Fund Balance:* Amounts cannot be spent because they are: (a) not in spendable form or (b) legally or contractually required to be maintained intact. Due to the nature or form of the resources, they generally cannot be expected to be converted into cash.
- *Restricted Fund Balance:* Amounts are restricted by external parties, i.e., creditors, grantors, contributors, or laws/regulations of other governments or restricted by law through constitutional provision or enabling legislation.

Fund Equity (continued)

- *Committed Fund Balance:* Amounts can only be used for a specific purpose pursuant to constraints imposed by formal action of the District's highest level of decision making authority (the board of Directors). The formal action must occur prior to the end of the reporting period, however, the amount may be determined in the subsequent period. These are self-imposed limitations on available resources. These committed amounts cannot be used for any other purpose unless the District removes or changes the specified use by taking the same level of action it employed to previously commit those amounts. These committed amounts would be approved and adopted by formal action of the Board.
- *Assigned Fund Balance:* Amounts are constrained by the District's intent to be used for specific purposes that are neither restricted nor committed. The intent will be expressed by the body or official to which the governing body has delegated the authority.
- *Unassigned Fund Balance:* The unassigned fund balance has net resources in excess of what can properly be classified in one of the four categories already described.

When both restricted and unrestricted resources are available for use when expenditure is incurred, 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 as being 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.

NOTES TO FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Long-Term Debt and Interest Payable

In the Government-Wide Financial Statements, long-term debt and other long-term obligations are reported as liabilities in the appropriate activities. In the Fund Financial Statements, with the exception of advances from other funds, long-term liabilities are not presented. Consequently, long term debt is shown as a reconciling item in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position.

In the Government-Wide Financial Statements, interest payable on long-term debt is recognized as the liability is incurred for governmental activities and business-type activities. In the Fund Financial Statements, only propriety fund types recognize the interest payable when the liability is incurred.

Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

In the Government-Wide Financial Statements, net position are classified in the following categories:

- *Net Investment in Capital Assets* consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition, construction, or improvement of the assets.
- *Restricted Net Position* is restricted by external creditors, grantors, contributors, laws or regulations of other governments.
- *Unrestricted Net Position* is all net position that does not meet the definition of “net investment in capital assets” or “restricted net position.”

NOTES TO FINANCIAL STATEMENTS (Continued)

2. CASH AND CASH EQUIVALENTS

At June 30, 2018, the carrying amount of the District's demand deposits was \$181,720 and the financial institution balance was \$182,282. The \$562 net difference as of June 30, 2018, represents outstanding checks, deposits in transit and/or other reconciling items.

The District at times maintains deposits with financial institutions in excess of federal depository insurance limits. California law requires banks and savings and loan institutions to pledge government securities with a market value of 110 percent of the District's cash on deposit or first trust deed mortgage notes with a market value of 150 percent of the deposit as collateral for these deposits. Under California law, this collateral is held in a separate investment pool by another institution in the District's name and places it ahead of general creditors of the institution.

3. CAPITAL ASSETS

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

Governmental Activities:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated:				
Land	\$ -	\$ 185,000	\$ -	\$ 185,000
Total capital assets, not being depreciated	-	185,000	-	185,000
Capital assets, being depreciated:				
Improvements to land	-	523,634	-	523,634
Structures and improvements	-	166,016	-	166,016
Total capital assets, being depreciated	-	689,650	-	689,650
Less accumulated depreciation for:				
Improvements to land	-	(158,495)	-	(158,495)
Structures and improvements	-	(113,816)	-	(113,816)
Total accumulated depreciation	-	(272,311)	-	(272,311)
Total capital assets, being depreciated, net	-	417,339	-	417,339
Total capital assets, net	\$ -	\$ 602,339	\$ -	\$ 602,339

NOTES TO FINANCIAL STATEMENTS (Continued)

3. CAPITAL ASSETS (Continued)

Business-Type Activities:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, being depreciated:				
Equipment	\$ -	\$ 2,096	\$ -	\$ 2,096
Less accumulated depreciation for:				
Equipment	-	(524)	-	(524)

4. NOTES PAYABLE

Prior to the reorganization of CSA 56 Wrightwood into the District, the CSA's County's Revolving Fund entered into an agreement with CSA 56 Wrightwood under government code 26909 to provide funding for specific capital projects. The County's Revolving Fund advanced the amount of \$200,000 to cover cost of this project. The note payable was to be repaid in 7 years beginning with a payment of \$42,000 during the year ending June 30, 2014, followed by six annual payments of \$27,000 including interest. Interest is calculated at the rate of the County pool funds. Upon the reorganization, the note payable was transferred to the District with the same terms intact.

The District entered into an agreement with the San Bernardino County Registrar of Voters (SBCRV) for the repayment of costs related to services provided by SBCRV to conduct the District's special formation election. The total amount of the costs advanced by SBCRV was \$63,500. The note payable is to be repaid in six annual payments of \$10,583. There is no interest on the note payable.

The note payable balances reported in the Statement of Net Position at June 30, 2018 was as follows:

	Principal Balance 7/1/2017	Additions	Retirements	Principal Balance 6/30/2018	Amounts Due Within One Year
District Revolving	\$ -	\$ 79,678	\$ (26,312)	\$ 53,366	\$ 26,500
SBC Registrar of Voters	-	63,500	-	63,500	21,166
	<u>\$ -</u>	<u>\$ 143,178</u>	<u>\$ (26,312)</u>	<u>\$ 116,866</u>	<u>\$ 47,666</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

4. NOTES PAYABLE (Continued)

Debt services requirements to maturity for the notes payable as of June 30, 2018 are as follows:

	GOVERNMENTAL PRINCIPAL	BUSINESS-TYPE PRINCIPAL	GOVERNMENTAL INTEREST	TOTAL
2019	\$ 37,083	\$ 10,583	\$ 500	\$ 48,166
2020	32,156	5,292	135	37,583
2021	5,291	5,292	-	10,583
2022	5,291	5,292	-	10,583
2023	5,292	5,293	-	10,585
TOTALS	\$ 85,113	\$ 31,752	\$ 635	\$ 117,500

5. SPECIAL ITEM

The District was established on July 1, 2017, by an action of the LAFCO for San Bernardino County which was a reorganization that included the formation of Wrightwood Community Services District and the dissolution of County Service Area 56. As a part of the reorganization, County Service Area 56 was to transfer its remainder cash, real and personal property and any liabilities related to said property to the District. The cash, property and related liabilities transferred to the District are as follows:

	AMOUNT
Cash	\$ 25,769
Capital Assets	629,082
District Revolving Loan	(79,678)
	<u>\$ 575,173</u>

6. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; injuries to employees; and natural disasters. As a result, the District participates in a public entity risk pool provided by the Special District Risk Management Authority (SDRMA) which provides coverage for property/liability claims and workers' compensation claims. Upon joining the SDRMA, the District signed a participation agreement which outlines the rights and responsibilities of both the SDRMA and the District. The agreement states that for premiums paid by the District, the SDRMA will assume financial responsibility for the District's losses up to the maximum amount of insurance purchased, minus the District's deductible amounts. The SDRMA provides this insurance coverage through a pooled, self-insurance mechanism which includes reinsurance purchased by the SDRMA to protect against large, catastrophic claims above the losses the SDRMA retains internally for payment from the pooled contributions of its members.

NOTES TO FINANCIAL STATEMENTS (Continued)

7. CONTINGENCIES

As of June 30, 2018, in the opinion of the District, there are no outstanding matters which would have a significant effect of the financial position of the District.

8. SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 15, 2019, which is the date the financial statements were available to be issued. No events occurred through this date requiring disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE-GENERAL
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>			Variances with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Property taxes	\$ 121,014	\$ 121,014	\$ 130,212	\$ 9,198
Rental revenue	22,000	22,000	17,266	(4,734)
Recreation charges	-	-	5,011	5,011
Total revenues	<u>143,014</u>	<u>143,014</u>	<u>152,489</u>	<u>9,475</u>
Expenditures				
Current - public works				
Professional services	26,500	26,500	34,680	(8,180)
Salaries and benefits	47,030	47,030	24,830	22,200
Recreation fees	-	-	1,092	(1,092)
Maintenance	26,000	26,000	19,281	6,719
Utilities	21,684	21,684	17,246	4,438
Insurance	6,357	6,357	5,587	770
Office expenses	1,500	1,500	3,231	(1,731)
Principal and interest expense	27,000	27,000	27,000	-
Total expenditures	<u>156,071</u>	<u>156,071</u>	<u>132,947</u>	<u>23,124</u>
Excess (deficiency) of revenues over expenditures	<u>(13,057)</u>	<u>(13,057)</u>	<u>19,542</u>	<u>32,599</u>
Special item	<u>24,190</u>	<u>24,190</u>	<u>25,769</u>	<u>1,579</u>
Net change in fund balance	<u>11,133</u>	<u>11,133</u>	<u>45,311</u>	<u>34,178</u>
Fund balance, beginning			-	
Fund balance, ending			<u>\$ 45,311</u>	