

**SOUTHERN COACHELLA VALLEY
COMMUNITY SERVICES DISTRICT**

ANNUAL AUDIT REPORT

Year Ended June 30, 2018

Southern Coachella Valley Community Services District
Annual Audit Report
June 30, 2018

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	1 - 2
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements:	
Statement of Net Position	3
Statement of Activities	4
Fund Financial Statements:	
Balance Sheet - Governmental Funds	5
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	6
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds	7
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities	8
Notes to Financial Statements	9 - 19
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures and Changes in Fund Balance, Budget and Actual - General Fund	20
Schedule of Revenues, Expenditures and Changes in Fund Balance, Budget and Actual - Rubbish Fund	21
Notes to Required Supplementary Information	22

INDEPENDENT AUDITORS' REPORT

Board of Directors
Southern Coachella Valley
Community Services District
Thermal, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Southern Coachella Valley 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Southern Coachella Valley Community Services 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.

Emphasis of Matter

Regarding Going Concern

The accompanying financial statements have been prepared assuming that the District will continue as a going concern. As discussed in Note 9 to the financial statements, the District had a negative change in net position, has had recurring periods in which expenses/expenditures significantly exceeded revenues, and has a deficit in fund balance in its General Fund. These conditions raise substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters also are described in Note 9. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 20-22 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our reported dated September 18, 2018, 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 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 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.

Jeannan Ramirez & Smith, Inc.

Riverside, California
September 18, 2018

Southern Coachella Valley Community Services District

Statement of Net Position

June 30, 2018

	<u>Governmental Activities</u>
ASSETS	
Cash and Investments	\$ 517,513
Interest Receivable	1,396
Due from Other Governments	44,515
Accounts Receivable	46,447
Prepaid Insurance	4,613
Prepaid Rent	2,400
Capital Assets, Net of Accumulated Depreciation	<u>1,060</u>
Total Assets	<u>617,944</u>
LIABILITIES	
Accounts Payable	<u>216,792</u>
Total Liabilities	<u>216,792</u>
NET POSITION	
Net Investment in Capital Assets	1,060
Unrestricted	<u>400,092</u>
Total Net Position	<u><u>\$ 401,152</u></u>

The accompanying notes are an integral part of this statement.

Southern Coachella Valley Community Services District

Statement of Activities

Year Ended June 30, 2018

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue
Primary Government:					
Governmental Activities:					
General Government	\$ 134,249	\$	\$	\$	\$ (134,249)
Law Enforcement	644,565	572,070			(72,495)
Trash and Public Services	49,488	172,800			123,312
 Total Governmental Activities	 <u>\$ 828,302</u>	 <u>\$ 744,870</u>	 <u>\$ 0</u>	 <u>\$ 0</u>	 <u>(83,432)</u>

General Revenues:

Investment Earnings 4,216

Total General Revenues 4,216

Change in Net Position (79,216)

Total Net Position - Beginning 480,368

Total Net Position - Ending \$ 401,152

The accompanying notes are an integral part of this statement.

Southern Coachella Valley Community Services District
Governmental Funds
Balance Sheet
June 30, 2018

	<u>Special Revenue</u>		Total Governmental Funds
	<u>General</u>	<u>Rubbish</u>	
ASSETS			
Cash and Investments	\$	\$ 517,513	\$ 517,513
Interest Receivable		1,396	1,396
Due from Other Governments	44,515		44,515
Accounts Receivable		46,447	46,447
Due from Other Fund		275,712	275,712
Prepaid Insurance	4,613		4,613
Prepaid Rent		2,400	2,400
		<u>2,400</u>	<u>2,400</u>
Total Assets	<u>\$ 49,128</u>	<u>\$ 843,468</u>	<u>\$ 892,596</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 71,305	\$ 145,487	\$ 216,792
Due to Other Fund	275,712		275,712
		<u>275,712</u>	<u>275,712</u>
Total Liabilities	<u>347,017</u>	<u>145,487</u>	<u>492,504</u>
Fund Balances:			
Nonspendable	4,613	2,400	7,013
Committed for Rubbish		695,581	695,581
Unassigned	(302,502)		(302,502)
		<u>695,581</u>	<u>695,581</u>
Total Fund Balances	<u>(297,889)</u>	<u>697,981</u>	<u>400,092</u>
Total Liabilities and Fund Balances	<u>\$ 49,128</u>	<u>\$ 843,468</u>	<u>\$ 892,596</u>

The accompanying notes are an integral part of this statement.

Southern Coachella Valley Community Services District
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position

June 30, 2018

Fund balances of governmental funds	\$ 400,092
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.	<u>1,060</u>
Net Position of Governmental Activities	<u><u>\$ 401,152</u></u>

The accompanying notes are an integral part of this statement.

Southern Coachella Valley Community Services District
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balance
Year Ended June 30, 2018

	<u>Special Revenue</u>		Total Governmental Funds
	<u>General</u>	<u>Rubbish</u>	
REVENUES			
Special Assessments	\$ 572,070	\$	\$ 572,070
Franchise Fees		172,800	172,800
Investment Earnings		4,216	4,216
	<u>572,070</u>	<u>177,016</u>	<u>749,086</u>
Total Revenues			
EXPENDITURES			
Services and Supplies:			
Insurance	2,700		2,700
Membership	2,172		2,172
Office Expense	2,668		2,668
Professional Services	103,532	45,000	148,532
Law Enforcement	644,565		644,565
Rent and Lease Expense	9,600	3,600	13,200
Utilities	4,612		4,612
Graffiti Cleanup	800	888	1,688
	<u>770,649</u>	<u>49,488</u>	<u>820,137</u>
Total Expenditures			
Excess (Deficiency) of Revenues Over Expenditures	(198,579)	127,528	(71,051)
Fund Balance - Beginning	<u>(99,310)</u>	<u>570,453</u>	<u>471,143</u>
Fund Balance - Ending	<u>\$ (297,889)</u>	<u>\$ 697,981</u>	<u>\$ 400,092</u>

The accompanying notes are an integral part of this statement.

Southern Coachella Valley Community Services District
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance
of Governmental Funds to the Statement of Activities
Year Ended June 30, 2018

Net Change in Fund Balances - Total Governmental Funds \$ (71,051)

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

Governmental funds report capital outlays as an expenditure in the full amount as current financial resources are used. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Depreciation (8,165)

Change in Net Position of Governmental Activities \$ (79,216)

Southern Coachella Valley Community Services District
Notes to Financial Statements
Year Ended June 30, 2018

<u>NOTE</u>	<u>DESCRIPTION</u>	<u>PAGE</u>
1	Summary of Significant Accounting Policies	10 - 14
2	Cash and Investments	14 - 16
3	Fair Value Measurements	16 - 17
4	Interfund Receivables and Payables	17
5	Due from Other Governments	17
6	Capital Assets	18
7	Accounts Payable	18
8	Risk Management	18
9	Contingencies	18 - 19
10	Deficit Fund Balance	19

Southern Coachella Valley Community Services District
Notes to Financial Statements
Year Ended June 30, 2018

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Southern Coachella Valley Community Services District (the District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A) Reporting Entity

The Southern Coachella Valley Community Services District was formed November 4, 1986 for the purpose of providing police protection and personal safety under Section 61000 et. seq. of the Government Code.

The District Office and records are located at 91260 Avenue 66, Mecca, California, 92254, telephone number (760) 396-1014.

District Directors are as follows:

<u>Name</u>	<u>Title</u>
Rebecca Broughton	President
Ann Wells	Vice President
Eugene Kitagawa	Member
Norma Lee Rodriguez	Member
Frank Figueroa	Member

The Board of Directors meets the third Thursday of each month.

B) Government-wide and Fund Financial Statements

Government-wide Financial Statements: The Government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government (the District). 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. All District activities are governmental; no business-type activities are reported in the statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are expenses that are clearly identifiable with a specific program, project, function or segment. Program revenues of the District 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 that are properly not included among program revenues are reported instead as general revenues.

Fund Financial Statements: Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major funds. The District has two governmental funds and both are reported as major funds; no non-major funds are reported in the statements.

Southern Coachella Valley Community Services District
Notes to Financial Statements
Year Ended June 30, 2018

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C) Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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 providers 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 collected 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 period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Interest associated with the current fiscal period is considered to be susceptible to accrual, and is therefore recognized as revenue of the current fiscal period.

The District reports the following major governmental funds:

The *General Fund* is the operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

The *Rubbish Fund* is used to account for franchise fee revenues generated by Burrtec Waste Industries and expenditures related to trash and trash related public services provided by the District.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. Direct expenses have not been eliminated from the functional categories; indirect expenses and internal payments have been eliminated.

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

D) Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. Currently, the District does not report any deferred outflows.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. Currently, the District does not report any deferred outflows.

Southern Coachella Valley Community Services District
Notes to Financial Statements
Year Ended June 30, 2018

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

E) Net Position

GASB No. 63 requires that the difference between assets, liabilities and deferred inflow of resources be reported as net position. Net position is classified as either net investment in capital assets, restricted, or unrestricted.

Net position classified as net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding principal of related debt. Restricted net position is the net position that has external constraints placed on them by creditors, grantors, contributors, laws, or regulations of other governments, or through constitutional provisions, or enabling legislation. Unrestricted net position consists of net position that does not meet the definition of net investment in capital assets or restricted net position.

F) Fund Equity

Fund balances in governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The District considers restricted fund balance to have been spent first when expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Similarly, when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used, the District considers committed amounts to be reduced first, followed by assigned amounts and then unassigned amounts.

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

Nonspendable Fund Balance - Amounts that cannot be spent either because they are in nonspendable form or are required to be maintained intact.

Restricted Fund Balance - Amounts that are constrained to specific purposes by state or federal laws, or externally imposed conditions by grantors or creditors.

Committed Fund Balance - Amounts that can only be used for specific purposes pursuant to constraints imposed by the Board of Directors, the District's highest level of decision-making authority, through an ordinance or resolution. Committed amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified uses through the same type of formal action taken to establish the commitment.

Assigned Fund Balance - Amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. The Board of Directors delegates the authority to assign amounts to be used for specific purposes to the General Manager.

Unassigned Fund Balance - These are either residual positive net resources in excess of what can properly be classified in one of the other four categories, or negative balances.

Southern Coachella Valley Community Services District
Notes to Financial Statements
Year Ended June 30, 2018

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

G) Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of 5 years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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.

Property, plant and equipment is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Equipment	5 - 7

H) Cash and Investments

As a governmental entity other than an external investment pool in accordance with GASB 31, the District's investments are stated at fair value except for interest-earning investment contracts (Note 2).

In applying GASB 31, the District utilized the following methods and assumptions:

- 1) Fair value is based on quoted market prices as of the valuation date;
- 2) The portfolio did not hold investments in any of the following;
 - a) Items required to be reported at amortized cost,
 - b) Items in external pools that are not SEC-registered,
 - c) Items subject to involuntary participation in an external pool,
 - d) Items associated with a fund other than the fund to which the income is assigned;

I) Use of Estimates in the Preparation of Financial Statements

The financial statements have been prepared in accordance with generally accepted accounting principles and necessarily include amounts based on estimates and assumptions by Management. Actual results could differ from those amounts.

Southern Coachella Valley Community Services District
Notes to Financial Statements
Year Ended June 30, 2018

1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

J) Property Tax Calendar

Property Taxes are assessed and collected each fiscal year according to the following property tax calendar:

Lien Date	January 01	
Levy Date	July 01	
Due Date	November 01	- 1st installment
	February 01	- 2nd installment
Delinquent Date	December 10	- 1st installment
	April 10	- 2nd installment

Under California law, property taxes are assessed and collected by the counties up to 1% of assessed value, plus other increases approved by the voters. The property taxes go into a pool, and are then allocated to the cities and districts based on complex formulas prescribed by the state statutes.

2) **CASH AND INVESTMENTS**

Cash and Investments are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and Investments	\$ 517,513
	<u>517,513</u>
Total Cash and Investments	\$ 517,513
	<u>517,513</u>

Cash and Investments consist of the following:

Deposits with Financial Institutions	\$ 265,488
Investments	<u>252,025</u>
Total Cash and Investments	\$ 517,513
	<u>517,513</u>

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

The table below identifies the investment types that are authorized for the District by the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) 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.

Southern Coachella Valley Community Services District
Notes to Financial Statements
Year Ended June 30, 2018

1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

J) Property Tax Calendar

Property Taxes are assessed and collected each fiscal year according to the following property tax calendar:

Lien Date	January 01	
Levy Date	July 01	
Due Date	November 01	- 1st installment
	February 01	- 2nd installment
Delinquent Date	December 10	- 1st installment
	April 10	- 2nd installment

Under California law, property taxes are assessed and collected by the counties up to 1% of assessed value, plus other increases approved by the voters. The property taxes go into a pool, and are then allocated to the cities and districts based on complex formulas prescribed by the state statutes.

2) **CASH AND INVESTMENTS**

Cash and Investments are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and Investments	\$ 517,513
	<u>517,513</u>
Total Cash and Investments	\$ 517,513
	<u>517,513</u>

Cash and Investments consist of the following:

Deposits with Financial Institutions	\$ 265,488
Investments	<u>252,025</u>
Total Cash and Investments	\$ 517,513
	<u>517,513</u>

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

The table below identifies the investment types that are authorized for the District by the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) 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.

Southern Coachella Valley Community Services District
Notes to Financial Statements
Year Ended June 30, 2018

2) CASH AND INVESTMENTS - Continued

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

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Of Portfolio*</u>	<u>Maximum Investment In One Issuer</u>
Local Agency Investment Fund (LAIF)	N/A	None	None

*Excluding amounts held by bond trustee that are not subject to California Government Code restrictions.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Currently, the District only invests in LAIF, which is managed by the Treasurer of the State of California.

As of June 30, 2018, the District had the following investments.

<u>Maturity Date</u>
LAIF \$ 252,025 N/A

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code or 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>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Year End</u>		
			<u>AAA</u>	<u>Aa</u>	<u>Not Rated</u>
LAIF	\$ 252,025	N/A	\$	\$	\$ 252,025

Concentration of Credit Risk

The investment policy of the District contains no limitation on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. As of year end, the District had no investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total District's investments.

Southern Coachella Valley Community Services District
Notes to Financial Statements
Year Ended June 30, 2018

2) 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 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 deposits made by state or local government units by pledging securities in an undivided collateral pool held by 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 deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

Investment in State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

The yield of LAIF for the quarter ended June 30, 2017 was 1.90%. The estimated amortized cost and fair value of the LAIF Pool at June 30, 2018 was \$88,964,875,827 and \$88,798,232,977, respectively. The District's share of the Pool at June 30, 2018 was approximately 0.00001 percent.

Each district may invest up to \$65,000,000 in the Fund. Investments in LAIF are highly liquid, as deposits can be converted to cash within twenty-four hours without loss of interest. Investments in LAIF are secured by the full faith and credit of the State of California. Included in LAIF's investment portfolio are asset-backed securities totaling \$1,549,080,000. LAIF's (and the District's) exposure to risk (credit, market or legal) is not currently available.

3) FAIR VALUE MEASUREMENTS

Governmental Accounting Standards Board (GASB) Statement No. 72, Fair Value Measurements and Application, provides the framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value with Level 1 given the highest priority and Level 3 the lowest priority. The three levels of the fair value hierarchy are as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the organization has the ability to access at the measurement date.

Southern Coachella Valley Community Services District
Notes to Financial Statements
Year Ended June 30, 2018

2) 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 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 deposits made by state or local government units by pledging securities in an undivided collateral pool held by 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 deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

Investment in State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

The yield of LAIF for the quarter ended June 30, 2017 was 1.90%. The estimated amortized cost and fair value of the LAIF Pool at June 30, 2018 was \$88,964,875,827 and \$88,798,232,977, respectively. The District's share of the Pool at June 30, 2018 was approximately 0.00001 percent.

Each district may invest up to \$65,000,000 in the Fund. Investments in LAIF are highly liquid, as deposits can be converted to cash within twenty-four hours without loss of interest. Investments in LAIF are secured by the full faith and credit of the State of California. Included in LAIF's investment portfolio are asset-backed securities totaling \$1,549,080,000. LAIF's (and the District's) exposure to risk (credit, market or legal) is not currently available.

3) FAIR VALUE MEASUREMENTS

Governmental Accounting Standards Board (GASB) Statement No. 72, Fair Value Measurements and Application, provides the framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value with Level 1 given the highest priority and Level 3 the lowest priority. The three levels of the fair value hierarchy are as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the organization has the ability to access at the measurement date.

Southern Coachella Valley Community Services District
Notes to Financial Statements
Year Ended June 30, 2018

3) FAIR VALUE MEASUREMENTS - Continued

Level 2 inputs are inputs other than quoted prices included within *Level 1* that are observable for the asset or liability, either directly or indirectly. *Level 2* inputs include the following:

- a. Quoted prices for similar assets or liabilities in active markets.
- b. Quoted prices for identical or similar assets or liabilities in markets that are not active.
- c. Inputs other than quoted prices that are observable for the asset or liability (for example, interest rates and yield curves observable at commonly quoted intervals, volatilities, prepayment speeds, loss severities, credit risks, and default rates).
- d. Inputs that are derived principally from or corroborated by observable market data by correlation or other means (market-corroborated inputs).

Level 3 inputs are unobservable inputs for the asset or liability.

Fair value of assets measured on a recurring basis at June 30, 2018, are as follows:

June 30, 2018	Fair Value	Uncategorized
State Investment Pool - LAIF	\$ 252,025	\$ 252,025
	\$ 252,025	\$ 252,025

Investments do not fall under the fair value hierarchy (ie. uncategorized) as there is no active market for the investments.

4) INTERFUND RECEIVABLES AND PAYABLES

Due To/From Other Payables

Due From Other Funds	Due to Other Funds	Amount
Rubbish Special Revenue Fund	General Fund	\$ 275,712

The Due to Rubbish Special Revenue Fund from the General Fund is for short-term borrowings as a result of cash shortfalls recorded in the General Fund.

5) DUE FROM OTHER GOVERNMENTS

The District received \$44,515 of assessments from the County of Riverside in July 2018 for assessments that were levied for the 2017-2018 fiscal year.

Southern Coachella Valley Community Services District
Notes to Financial Statements
Year Ended June 30, 2018

6) CAPITAL ASSETS

Capital asset activity for the year was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets, Being Depreciated:				
Equipment	\$ 70,611	\$	\$	\$ 70,611
Less: Accumulated Depreciation	(61,386)	(8,165)		(69,551)
Capital Assets, Net of Depreciation	<u>\$ 9,225</u>	<u>\$ (8,165)</u>	<u>\$ 0</u>	<u>\$ 1,060</u>

Depreciation expense of \$8,165 was charged to Law Enforcement.

7) ACCOUNTS PAYABLE

Included in accounts payable is \$65,586 due to the County of Riverside Sheriff's Department for contract law enforcement provided prior to June 30, 2018 and \$132,830 due to Burrtec Waste Industries for waste hauler services provided.

8) RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to personnel; and natural disasters. The District joined the Special District Risk Management Authority (SDRMA) in Sacramento, California, a public entity risk pool currently operating as a common risk management and insurance program for member special districts. The District pays an annual premium to SDRMA for its general insurance coverage.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. As of June 30, 2018, there were no liabilities to be reported.

9) CONTINGENCIES

Going Concerns and Management's Plan

As shown in the basic fund financial statements, the District's General Fund had a negative change in fund balance of \$(198,579), and had a negative fund balance of \$(297,889) for the fiscal year ended June 30, 2018. Further, the District's General Fund has had recurring periods in which expenses/expenditures significantly exceeded revenues. These factors raise substantial doubt about the District's ability to continue as a going concern. The District's management has taken action to improve the financial position of the District in subsequent fiscal years. In the 2016-2017 fiscal year, the District's Board of Directors unanimously passed a resolution to borrow funds from the waste fund to pay for expenses assigned to

Southern Coachella Valley Community Services District
Notes to Financial Statements
Year Ended June 30, 2018

9) CONTINGENCIES - Continued

Going Concerns and Management's Plan - Continued

the general fund. In the 2017-2018 fiscal year, the District's Board of Directors unanimously passed a resolution to set long-term plans to secure financial security for District operations which include: (1) annexation of new territories increasing funding for supplemental law enforcement services, (2) increase assessment rates within the next three years, (2) optionally decrease services provided as needed to maintain a balanced budget. The ability for the District to continue as a going concern is dependent on the progress of the aforementioned items. The financial statements do not include any adjustments that might be necessary if the District is unable to continue as a going concern.

10) DEFICIT FUND BALANCE

The District's General Fund has a deficit fund balance of \$297,889 for the year ending June 30, 2018. This deficit is expected to be eliminated by revenue in future periods through the measures discussed in Note 9.

REQUIRED SUPPLEMENTARY INFORMATION

Southern Coachella Valley Community Services District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund
Year Ended June 30, 2018

	Budget Amount		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Special Assessments	\$ 615,000	\$ 615,000	\$ 572,070	\$ (42,930)
Total Revenues	<u>615,000</u>	<u>615,000</u>	<u>572,070</u>	<u>(42,930)</u>
EXPENDITURES				
Services and Supplies:				
Insurance	4,200	4,200	2,700	1,500
Membership	500	500	2,172	(1,672)
Office Expense	2,000	2,000	2,668	(668)
Professional Services	92,000	92,000	103,532	(11,532)
Law Enforcement	682,873	682,873	644,565	38,308
Rent and Lease Expense	10,000	10,000	9,600	400
Utilities	7,000	7,000	4,612	2,388
Graffiti Cleanup			800	(800)
Total Expenditures	<u>798,573</u>	<u>798,573</u>	<u>770,649</u>	<u>27,924</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (183,573)</u>	<u>\$ (183,573)</u>	\$ (198,579)	<u>\$ (15,006)</u>
Fund Balance - Beginning			<u>(99,310)</u>	
Fund Balance - Ending			<u>\$ (297,889)</u>	

Southern Coachella Valley Community Services District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Rubbish Fund
Year Ended June 30, 2018

	Budget Amount		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Franchise Fees	\$ 180,000	\$ 180,000	\$ 172,800	\$ (7,200)
Investment Earnings			4,216	4,216
Total Revenues	<u>180,000</u>	<u>180,000</u>	<u>177,016</u>	<u>(2,984)</u>
EXPENDITURES				
Services and Supplies:				
Professional Services	50,000	50,000	45,000	5,000
Rent and Lease Expense			3,600	(3,600)
Graffiti Cleanup			888	(888)
TOM Program	1,000	1,000		1,000
Total Expenditures	<u>51,000</u>	<u>51,000</u>	<u>49,488</u>	<u>1,512</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 129,000</u>	<u>\$ 129,000</u>	127,528	<u>\$ (1,472)</u>
Fund Balance - Beginning			<u>570,453</u>	
Fund Balance - Ending			<u>\$ 697,981</u>	

Southern Coachella Valley Community Services District
Notes to Required Supplementary Information
Year Ended June 30, 2018

1. BUDGETARY DATA

Prior to the beginning of each year, the District adopts and files an itemized statement of estimated operating expenditures, reserve requirements and anticipated revenues with the County Auditor-Controller. The sources of finance for these operating costs and reserve requirements are (1) available fund balance carried forward from the preceding year, (2) revenues other than assessments and (3) assessments.