

HELENDALE COMMUNITY SERVICES DISTRICT

FINANCIAL STATEMENTS

JUNE 30, 2009

HELENDALE COMMUNITY SERVICES DISTRICT

TABLE OF CONTENTS

JUNE 30, 2009

	<u>Pages</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	2 – 11
Financial Statements:	
Statement of Net Assets	12
Statement of Revenue, Expenses and Changes in Net Assets	13
Statement of Cash Flows	14 – 15
Notes to the Financial Statements	16 – 26



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Board of Directors
Helendale Community Services District
Helendale, California

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying statement of net assets of the Helendale Community Services District (District) as of June 30, 2009, and the related statements of revenue, expenses and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the State Controller's Minimum Audit 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Helendale Community Services District as of June 30, 2009, and the results of its operations, changes in net assets and its cash flows for the year then ended in conformity 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.

The management's discussion and analysis on pages 2 through 11 is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Rogers, Anderson, Malody & Scott, LLP

March 25, 2010

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Helendale Community Services District

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Helendale Community Services District financial report presents a narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2009. The District provides water and wastewater utility services, and street lighting within the Silver Lakes community and solid waste collection, graffiti removal, parks and recreation services district-wide. Please read this discussion and analysis in conjunction with the District's accompanying financial statements and notes to the financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Helendale Community Services District's basic financial statements. This overview provides data for the financial activities during the fiscal year ended June 30, 2009. The District assumed full responsibility and authority for CSA Zones 70 B & C from San Bernardino County Special Districts on April 1, 2007, without further County oversight or involvement. The District uses enterprise accounting methods similar to those used by private industry. The financial statements provide information about the District's activities for the fiscal year ended June 30, 2009. The District's fiscal year begins on July 1 of each year and ends on June 30 of the following year, encompassing a twelve-month period of operation.

The format of the fiscal year 2008-09 financial statements has changed dramatically from the previous year to display financial data for the individual enterprise funds. Each enterprise fund is now presented as a standalone operation. Previous financial statements have shown the assets, liabilities, net assets, and changes in net assets in total, rather than showing the balances and activities for the water, sewer, and parks and recreation funds separately.

The *Statement of Net Assets* includes all of the District's assets and liabilities and provides information about the nature of the components and amounts of investments in resources (assets) and obligations to creditors (liabilities). It also provides the basis for evaluating the capital structure, liquidity, and overall financial integrity of the District.

The *Statement of Revenues, Expenses and Changes in Net Assets* displays the operating and nonoperating revenues and expenses and changes in net assets. This statement measures the

HELENDALE COMMUNITY SERVICES DISTRICT
Management's Discussion and Analysis
June 30, 2009

results of operations for the fiscal year. It can be used to determine profitability, credit worthiness, and whether costs were successfully recovered through service charges, user fees, other revenue, and taxes.

The *Statement of Cash Flows* provides information about cash receipts and cash payments. The statement reports cash receipts, cash payments, and net changes in cash resulting from operating, financing, and investing activities.

HIGHLIGHTS

Water Fund

- Current assets consist of receivables and prepaid expenses. The water fund has no cash or investments since it expended its funds for water system improvements and the purchase and lease of water rights. When the District assumed responsibility for CSA Zones 70 B & C in 2007, the water delivery system was in dire need of repair due to the deferred maintenance policy of San Bernardino County Special Districts. Approximately \$2.4 million was spent on distribution system improvements, well repairs and upgrades in 2007-08. In addition, during 2008-09 \$595,547 was expended for the lease of water rights and \$840,463 for permanent water rights since the District was in a pumping deficit situation. In other words, the demand for water exceeded the District's pumping allowance under existing water rights. San Bernardino County Special Districts was not aggressive in obtaining water rights and settled for paying the Mojave Watermaster for replacement water (the difference between water pumped and the water allowed to be pumped). With the District's Board approval, the general manager obtained leased water rights and permanent water rights for less than the amount to be paid to the Mojave Watermaster per acre-foot.
- Permanent water rights become an asset of the District and increase the amount of free production allowance (FPA). Leased water rights create a carryover position where the leased water is consumed first, followed by the FPA. In essence, a rollover effect is created from unused FPA carrying over to the next fiscal year and being consumed prior to the current year's FPA.
- The District's Board understands the value of water and that the cost of permanent water rights is increasing each year. In order to obtain permanent water rights to meet customer demands, the Board has maintained the position to purchase permanent rights when they become available. During 2008-09, the Board approved the water component to the water system connection fee. This amount, which will be increased annually to match the current price of permanent water rights per acre-foot, is collected

HELENDALE COMMUNITY SERVICES DISTRICT
Management's Discussion and Analysis
June 30, 2009

from developers, property owners, commercial businesses, and other government institutions for their anticipated water usage for new construction.

- The deferred maintenance on the water system resulted in considerable leakage in the distribution system service lines, upwards of 7-10 leaks per week. Knowing that the cost of the service line replacement program was approximately \$2 million, the Board approved the program with an estimated ten-year return on the investment. The amount of water pumped in 2006-07 was 2,342 acre-feet. After the service lines were replaced and the leaks were reduced to one or two in six months, water pumped dropped to 1,755 acre-feet, a savings of 587 acre-feet of water. At the current Mojave Watermaster replacement water rate of \$399 per acre-foot, the District saved \$234,213 in 2008-09. In addition, the reduced pumping has resulted in electricity savings. The savings is not only monetary; the District has protected a precious resource.
- The District's Board has held the line on rate increases, but in light of the increased cost of permanent and leased water rights and other operating costs, the Board will be reviewing the existing rate structure in the near future. The current fee schedule is scheduled to be updated in fiscal year 2009-10 for non-metered fees and services. The District has contracted with Bartle Wells and Associates to perform a water rate study. The study is due in 2009-10.
- Noncurrent capital assets at June 30, 2009, net of accumulated depreciation and amortization, are \$6,114,129. Noncurrent assets include the water wells, water rights, and property and equipment transferred from San Bernardino County Special Districts, CSA Zones 70 B & C, and improvements made by the District, such as service line replacements.
- Current liabilities include the account "Due to other funds". This represents the amount of funds borrowed from the sewer fund for operating expenses and asset purchases. In order to purchase the water rights and make the necessary system repairs previously mentioned, the water fund borrowed cash from the sewer fund. These funds will be repaid to the sewer fund from future revenues.
- Noncurrent liabilities include notes payable of \$633,712. This represents the water fund's share of the \$2.8 million borrowed from Municipal Finance Corporation for the purchase or lease of water rights and the construction of Well 1A. Well 1A will be constructed in 2009-10 and is to replace several wells that are in need of replacement due to age and water quality.
- Total water fund net assets are \$4,429,040. The total of net assets plus total liabilities equals total assets, or \$6,449,048.

HELENDALE COMMUNITY SERVICES DISTRICT
Management's Discussion and Analysis
June 30, 2009

- Water fund operations resulted in an operating loss of \$724,713. The operating loss is reduced by \$110,200 in nonoperating revenues, resulting in a decrease of net assets of \$614,513. The primary reasons for the decrease are the lease of temporary water rights and the amount of depreciation charged to the water fund. The District does not fully fund depreciation. Depreciation for equipment and vehicles is funded with a cash transfer to an equipment reserve. Nonoperating revenues include property taxes, special assessments, franchise fees and other income less interest expense and other expenses.

Sewer Fund

- Current assets for the sewer fund are \$4,325,416 and consist of cash, investments, receivables and due from the water fund and the parks and recreation fund. The water fund borrowed cash from the sewer fund as explained in the previous section. The parks and recreation fund borrowed cash from the sewer fund for improvements to existing rental facilities on the acquired property and for operating expenses.
- Noncurrent capital assets at June 30, 2009, net of accumulated depreciation and amortization, are \$3,036,281. Noncurrent assets include the wastewater plant, and property and equipment transferred from San Bernardino County Special Districts, CSA Zones 70 B & C, and improvements made by the District, such as treatment plant pumps, and clarifier and treatment plant headworks improvements.
- Current liabilities are \$159,829 and consist of accounts payable, accrued payroll and the current portion of notes payable.
- Noncurrent liabilities include notes payable of \$657,018. This represents the sewer fund's share of the \$2.8 million borrowed from Municipal Finance Corporation for construction of new treatment plant headworks, clarifier recoating, construction of new sludge drying beds, and other wastewater plant improvements.
- Total sewer fund net assets are \$6,544,850. The total of net assets plus total liabilities equals total assets, or \$7,361,697.
- Sewer fund operations resulted in operating income of \$266,386. Operating income is increased by \$159,423 in nonoperating revenues, resulting in an increase in net assets of \$425,809. Revenue consists of monthly sewer fees of \$36.64 per equivalent dwelling unit (EDU). Sewer connection and inspection revenue was less than anticipated due to the decline in the housing market and the resulting cessation of home construction. The District does not fully fund depreciation. Depreciation for equipment and vehicles is funded with a cash transfer to an equipment reserve. Nonoperating revenues are from

HELENDALE COMMUNITY SERVICES DISTRICT
Management's Discussion and Analysis
June 30, 2009

property taxes, special assessments, franchise fees, investment income, and other income less interest expense and other expenses.

Parks and Recreation Fund

- The parks and recreation fund was created in 2008-09 upon the acquisition of the Silver Lakes Farm property. The parks and recreation fund borrowed cash from the sewer fund for improvements to existing rental facilities on the acquired property and for operating expenses.
- Street lighting costs, which consist solely of utilities expenses for electricity, are presented as operating expenses of the parks and recreation fund.
- Revenue for parks and recreation includes rental income from five units on the southwest corner of the property and from the lease of the equestrian facilities on the south and west borders of the property. Charges for services represent the fees collected from Yoga and step classes held in the District's boardroom several times per week. The District received a contribution for the purchase of the park property from the San Bernardino County Supervisors in the amount of \$225,000. Other nonoperating revenues include property taxes, franchise fees and other income which total \$49,056.
- The expenses include a majority of costs to upgrade and repair park rental units, and for park property cleanup. The utility costs include \$17,945 for street lighting electrical costs; the balance is for electricity and gas provided for the equestrian facilities and to other rental units until assumed by the renters. The park required weeding, brush and dead tree removal and removal of old fencing and buildings that were once part of the horse ranch paddocks and pastures. This service was provided by the California Department of Forestry prisoner crews at a considerable savings to the District.
- Nonoperating expenses are primarily interest expense consisting of the first interest-only payment on the first note assumed by the District for the purchase of the horse ranch, and for the first installment payment for the loan received from the Municipal Finance Corporation in December 2008 that replaced the interest-only note to secure the property in July 2008.
- Net assets for parks and recreation as of June 30, 2009 are \$161,303.

FINANCIAL ANALYSIS

One of the most important questions asked is: "Is the District better off or worse off as a result of its activities?" The Statement of Net Assets and the Statement of Revenues, Expenses and

HELENDALE COMMUNITY SERVICES DISTRICT
Management's Discussion and Analysis
June 30, 2009

Changes in Net Assets provide information about the District's activities to help answer this question. These two statements report the net assets of the District. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. However, other local, regional, national and global non-financial factors must also be considered.

NET ASSETS

Table A-1 provides a summary of the District's Statement of Net Assets.

Table A-1
Condensed Statement of Net Assets

<u>Assets</u>	<u>Water</u>	<u>Sewer</u>	<u>Parks and Recreation</u>	<u>Total</u>
Current assets	\$ 334,919	\$ 4,325,416	\$ 2,360	\$ 4,662,695
Net capital assets	6,114,129	3,036,281	1,918,034	11,068,444
Total Assets	6,449,048	7,361,697	1,920,394	15,731,139
<u>Liabilities</u>				
Current liabilities	1,386,296	159,829	347,733	1,893,858
Noncurrent liabilities	633,712	657,018	1,411,358	2,702,088
Total Liabilities	2,020,008	816,847	1,759,091	4,595,946
<u>Net Assets</u>				
Invested in capital assets, net of related debt	5,459,858	2,357,948	460,888	8,278,694
Unrestricted	(1,030,818)	4,186,902	(299,585)	2,856,499
Total Net Assets	4,429,040	6,544,850	161,303	11,135,193
Total Liabilities & Net Assets	\$ 6,449,048	\$ 7,361,697	\$ 1,920,394	\$ 15,731,139

<p>Table A-1 shows the net assets as a result of operations for the fiscal year ended June 30, 2009. Net assets are inclusive of actual fixed plant, equipment, reservoirs and distribution, collection systems and park property within the District and the amount of unrestricted reserves.</p>
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HELENDALE COMMUNITY SERVICES DISTRICT
Management's Discussion and Analysis
June 30, 2009

REVENUES, EXPENSES AND CHANGES IN NET ASSETS

While the Statement of Net Assets shows the financial position of the District at yearend, the Statement of Revenues, Expenses and Changes in Net Assets provides the details as to the nature and source of the changes in the financial position from the previous year.

As shown below in Table A-2, combined District operations (water, sewer, and parks and recreation) resulted in a decrease in net assets of \$27,401. Total nonoperating revenues and expenses from, property taxes, special assessments, franchise fees, investment income, other income, interest expense and other expenses totaled \$248,602. The combined results of operations, nonoperating revenues and expenses, and contributions for the year ending June 30, 2009 decreased combined net assets by \$27,401. The table below summarizes the individual fund activity and changes in net assets.

Table A-2
Condensed Statement of Revenues, Expenses and Changes in Net Assets

<u>Operating Revenue</u>	<u>Water</u>	<u>Sewer</u>	<u>Parks and Recreation</u>	<u>Total</u>
Water sales	\$ 1,193,074	\$ -	\$ -	\$ 1,193,074
Sewer charges	-	1,252,046	-	1,252,046
Other operating revenue	174,876	6,019	80,343	261,238
Total Operating Revenue	1,367,950	1,258,065	80,343	2,706,358
<u>Operating Expenses</u>				
Water supply	625,104	-	-	625,104
Operating expenses	335,148	197,870	-	533,018
Administrative & general	963,754	512,105	84,391	1,560,250
Depreciation	168,657	281,704	38,628	488,989
Total Operating Expenses	2,092,663	991,679	123,019	3,207,361
Operating Income (Loss)	(724,713)	266,386	(42,676)	(501,003)
<u>Nonoperating Revenues (Expenses)</u>				
Taxes	105,060	50,325	19,360	174,745
Other revenue	77,515	149,315	29,696	256,526
Interest & other expenses	(72,375)	(40,217)	(70,077)	(182,669)

HELENDALE COMMUNITY SERVICES DISTRICT
Management's Discussion and Analysis
June 30, 2009

Total Nonoperating Revenues (Expenses)	110,200	159,423	(21,021)	248,602
Contributions - County grant	-	-	225,000	225,000
Change in Net Assets	\$ (614,513)	\$ 425,809	\$ 161,303	\$ (27,401)

CAPITAL ASSETS AND DEBT ADMINISTRATION

At June 30, 2009, the District had \$18,746,605 invested in infrastructure including land, land improvements, plant and buildings, office equipment, trucks and autos, and construction in progress as shown in Table A-3 below. Accumulated depreciation on these assets totaled \$7,678,161, resulting in a net capital asset investment of \$11,068,444.

Table A-3
Capital Assets

	<u>Water</u>	<u>Sewer</u>	<u>Parks and Recreation</u>	<u>Total</u>
Land	\$ 160,000	\$ -	\$ 630,826	\$ 790,826
Improvements to land	7,688,165	6,616,897	76,635	14,381,697
Structures and improvements	-	-	1,145,304	1,145,304
Equipment	163,490	134,119	982	298,591
Vehicles	181,371	116,147	192	297,710
Water rights & other intangibles	864,737	13,485	16,911	895,133
Construction in progress	851,240	116	85,988	937,344
Total Capital Assets	9,909,003	6,880,764	1,956,838	18,746,605
Accumulated Depreciation	(3,794,874)	(3,844,483)	(38,804)	(7,678,161)
Total Capital Assets, net	\$ 6,114,129	\$ 3,036,281	\$ 1,918,034	\$ 11,068,444

HELENDALE COMMUNITY SERVICES DISTRICT
Management's Discussion and Analysis
June 30, 2009

CURRENT LIABILITIES

Current liabilities, or amounts payable in the next twelve months, total \$1,893,858 and are summarized in Table A-4. These liabilities consist of accounts payable, which are the payments due to vendors and customers, accrued payroll, which is the amount of unpaid payroll at yearend, deposits, which are customer deposits on water and sewer accounts and deposits taken for sewer and water feasibility studies, the amount due by the water fund and parks and recreation fund to the sewer fund, and matured bonds payable as mentioned in the Noncurrent Liabilities section below.

Table A-4
Condensed Schedule of Current Liabilities

CURRENT LIABILITIES	
Accounts payable	\$ 185,648
Accrued payroll	125,711
Compensated absences payable	39,474
Customer deposits	58,277
Due to other funds	1,381,873
Current portion of notes payable	87,662
Matured bonds payable and accrued interest	<u>15,213</u>
Total Current Liabilities	<u>\$ 1,893,858</u>

NONCURRENT LIABILITIES

Matured Bonds Payable

The District assumed water and sewer bond commitments on April 1, 2007 from San Bernardino County Special Districts, totaling \$10,000 that were not yet redeemed. Accrued interest from the bonds amounted to \$5,213. Additional details regarding the bonds are located in the notes to the accompanying financial statements.

Notes Payable

On December 23, 2008 the District entered into an Installment Sale Agreement to provide financing for the acquisition of the Silver Lakes Farm, a former horse race training ranch, and for the purchase of water rights, development of a replacement water well, and for improvements to the wastewater treatment facility. The amount of the agreement was \$2,832,000, maturing in 20 years at 4.95%, payable in semi-annual installments in June and December of each year.

HELENDALE COMMUNITY SERVICES DISTRICT
Management's Discussion and Analysis
June 30, 2009

NET ASSETS

Net assets are represented by the net book value of the capital assets, less related debt, and unrestricted net assets. Total net assets are \$11,135,193.

CONTACTING THE DISTRICT

This financial report is designed to provide the citizens within the Helendale Community Services District and its customers with a general overview of the District's finances and to show the District's accountability for the resources it manages. If you have questions about this report or need additional financial information, contact Kimberly Cox, General Manager at:

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HELENDALE COMMUNITY SERVICES DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2009

	<u>Water</u>	<u>Sewer</u>	<u>Parks and Recreation</u>	<u>Total</u>
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ -	\$ 79,203	\$ -	\$ 79,203
Investment pools	-	2,628,676	-	2,628,676
Accounts receivable, net	162,571	157,442	-	320,013
Taxes receivable	38,443	19,290	447	58,180
Interest receivable	-	3,458	-	3,458
Other receivables, net	99,900	41,387	1,427	142,714
Due from other funds	-	1,381,873	-	1,381,873
Prepaid expenses	34,005	14,087	486	48,578
Total Current Assets	<u>334,919</u>	<u>4,325,416</u>	<u>2,360</u>	<u>4,662,695</u>
Noncurrent Assets:				
Capital Assets:				
Land	160,000	-	630,826	790,826
Improvements to land	7,688,165	6,616,897	76,635	14,381,697
Structures and improvements	-	-	1,145,304	1,145,304
Equipment	163,490	134,119	982	298,591
Vehicles	181,371	116,147	192	297,710
Water rights and other intangibles	864,737	13,485	16,911	895,133
Construction in progress	851,240	116	85,988	937,344
Total Capital Assets	<u>9,909,003</u>	<u>6,880,764</u>	<u>1,956,838</u>	<u>18,746,605</u>
Accumulated depreciation	<u>(3,794,874)</u>	<u>(3,844,483)</u>	<u>(38,804)</u>	<u>(7,678,161)</u>
Total Capital Assets, net	<u>6,114,129</u>	<u>3,036,281</u>	<u>1,918,034</u>	<u>11,068,444</u>
Total Assets	<u>\$ 6,449,048</u>	<u>\$ 7,361,697</u>	<u>\$ 1,920,394</u>	<u>\$ 15,731,139</u>
LIABILITIES				
Current Liabilities:				
Accounts payable	\$ 111,981	\$ 70,911	\$ 2,756	\$ 185,648
Accrued payroll	73,232	51,905	574	125,711
Compensated absences payable	29,575	9,648	251	39,474
Customer deposits	56,152	-	2,125	58,277
Due to other funds	1,085,634	-	296,239	1,381,873
Current portion of notes payable	20,559	21,315	45,788	87,662
Matured bonds payable and accrued interest	9,163	6,050	-	15,213
Total Current Liabilities	<u>1,386,296</u>	<u>159,829</u>	<u>347,733</u>	<u>1,893,858</u>
Noncurrent Liabilities:				
Notes payable	<u>633,712</u>	<u>657,018</u>	<u>1,411,358</u>	<u>2,702,088</u>
Total Liabilities	<u>\$ 2,020,008</u>	<u>\$ 816,847</u>	<u>\$ 1,759,091</u>	<u>\$ 4,595,946</u>
NET ASSETS				
Invested in capital assets, net of related debt	\$ 5,459,858	\$ 2,357,948	\$ 460,888	\$ 8,278,694
Unrestricted	<u>(1,030,818)</u>	<u>4,186,902</u>	<u>(299,585)</u>	<u>2,856,499</u>
Total Net Assets	<u>\$ 4,429,040</u>	<u>\$ 6,544,850</u>	<u>\$ 161,303</u>	<u>\$ 11,135,193</u>

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

HELENDALE COMMUNITY SERVICES DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Water</u>	<u>Sewer</u>	<u>Parks and Recreation</u>	<u>Total</u>
OPERATING REVENUES				
Water sales	\$ 1,193,074	\$ -	\$ -	\$ 1,193,074
Sewer charges	-	1,252,046	-	1,252,046
Rental income	27,411	-	71,978	99,389
Charges for services	1,800	-	8,365	10,165
Permit and inspection fees	1,295	1,494	-	2,789
Connection fees	2,091	4,525	-	6,616
Other services	142,279	-	-	142,279
Total Operating Revenues	<u>1,367,950</u>	<u>1,258,065</u>	<u>80,343</u>	<u>2,706,358</u>
OPERATING EXPENSES				
Source of supply:				
Water purchases	595,547	-	-	595,547
Operations, maintenance, power and replacement	29,557	-	-	29,557
Pumping and collection	187,570	39,977	-	227,547
Treatment	-	24,793	-	24,793
Transmission and distribution	8,081	3,224	-	11,305
Customer accounts	139,497	129,876	-	269,373
Administrative and general:				
Salaries and benefits	618,875	340,859	4,230	963,964
Services and supplies	212,541	93,858	55,339	361,738
Professional fees	98,844	41,956	1,412	142,212
Utilities	11,439	26,294	23,095	60,828
Rents and leases	22,055	9,138	315	31,508
Other operating:				
Depreciation and amortization	168,657	281,704	38,628	488,989
Total Operating Expenses	<u>2,092,663</u>	<u>991,679</u>	<u>123,019</u>	<u>3,207,361</u>
Operating Income (Loss)	<u>(724,713)</u>	<u>266,386</u>	<u>(42,676)</u>	<u>(501,003)</u>
NONOPERATING REVENUES (EXPENSES)				
Taxes	105,060	50,325	19,360	174,745
Special assessments	36,250	83,647	-	119,897
Franchise fees	28,352	11,332	25,890	65,574
Investment income	-	52,093	-	52,093
Other income	12,913	2,243	3,806	18,962
Interest expense	(16,438)	(17,043)	(69,278)	(102,759)
Other expenses	(55,937)	(23,174)	(799)	(79,910)
Total Nonoperating Revenues (Expenses)	<u>110,200</u>	<u>159,423</u>	<u>(21,021)</u>	<u>248,602</u>
CONTRIBUTIONS				
County grant	-	-	225,000	225,000
Change in Net Assets	(614,513)	425,809	161,303	(27,401)
Total Net Assets - beginning	<u>5,043,553</u>	<u>6,119,041</u>	<u>-</u>	<u>11,162,594</u>
Total Net Assets - ending	<u>\$ 4,429,040</u>	<u>\$ 6,544,850</u>	<u>\$ 161,303</u>	<u>\$ 11,135,193</u>

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

HELENDALE COMMUNITY SERVICES DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Water</u>	<u>Sewer</u>	<u>Parks and Recreation</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 1,312,199	\$ 1,251,862	\$ 81,041	\$ 2,645,102
Payments for water	(595,547)	-	-	(595,547)
Payments for services and supplies	(877,171)	(327,777)	(77,891)	(1,282,839)
Payments for employee services	(575,089)	(322,099)	(3,405)	(900,593)
Net Cash Provided By (Used For) Operating Activities	<u>(735,608)</u>	<u>601,986</u>	<u>(255)</u>	<u>(133,877)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Taxes and special assessments	102,867	114,682	18,913	236,462
Proceeds from county grant	-	-	225,000	225,000
Other nonoperating revenue	41,265	13,575	29,696	84,536
Other nonoperating expenses	(55,937)	(23,174)	(799)	(79,910)
Net Cash Provided By Noncapital Financing Activities	<u>88,195</u>	<u>105,083</u>	<u>272,810</u>	<u>466,088</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from capital debt	664,180	688,606	1,479,214	2,832,000
Acquisition and construction of capital assets	(1,319,392)	(729,620)	(1,956,838)	(4,005,850)
Principal paid on capital debt	(9,909)	(10,273)	(22,068)	(42,250)
Interest paid on capital debt	(16,438)	(17,043)	(69,278)	(102,759)
Net Cash Used For Capital and Related Financing Activities	<u>(681,559)</u>	<u>(68,330)</u>	<u>(568,970)</u>	<u>(1,318,859)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment income	-	48,635	-	48,635
Net Cash Provided By Investing Activities	<u>-</u>	<u>48,635</u>	<u>-</u>	<u>48,635</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,328,972)	687,374	(296,415)	(938,013)
Cash Balance - beginning of the year	<u>244,215</u>	<u>3,401,677</u>	<u>-</u>	<u>3,645,892</u>
Cash Balance - end of the year	<u>\$ (1,084,757)</u>	<u>\$ 4,089,051</u>	<u>\$ (296,415)</u>	<u>\$ 2,707,879</u>
RECONCILIATION OF CASH TO THE STATEMENT OF NET ASSETS				
Cash and cash equivalents	\$ -	\$ 79,203	\$ -	\$ 79,203
Investment pools	-	2,628,676	-	2,628,676
	<u>\$ -</u>	<u>\$ 2,707,879</u>	<u>\$ -</u>	<u>\$ 2,707,879</u>

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

HELENDALE COMMUNITY SERVICES DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Water</u>	<u>Sewer</u>	<u>Parks and Recreation</u>	<u>Total</u>
SCHEDULE OF NONCASH INVESTING, NONCAPITAL AND CAPITAL FINANCING ACTIVITIES				
Acquisition of capital assets	<u>\$ 861,516</u>	<u>\$ 52,844</u>	<u>\$ -</u>	<u>\$ 914,360</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:				
Operating income (loss)	\$ (724,713)	\$ 266,386	\$ (42,676)	\$ (501,003)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation expense	168,657	281,704	38,628	488,989
Changes in assets and liabilities:				
(Increase) Decrease in:				
Accounts receivable, net	2,468	12,724	-	15,192
Other receivables, net	(32,521)	(18,927)	(1,427)	(52,875)
Prepaid expenses	9,366	370	(486)	9,250
Increase (Decrease) in:				
Accounts payable	(176,953)	40,969	2,756	(133,228)
Accrued payroll	14,211	9,112	574	23,897
Compensated absences payable	29,575	9,648	251	39,474
Customer deposits	<u>(25,698)</u>	<u>-</u>	<u>2,125</u>	<u>(23,573)</u>
Net Cash Provided By (Used For) Operating Activities	<u>\$ (735,608)</u>	<u>\$ 601,986</u>	<u>\$ (255)</u>	<u>\$ (133,877)</u>

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

HELENDALE COMMUNITY SERVICES DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 1: REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES

Organization and Operations of the Reporting Entity

The Helendale Community Services District (District) was formed on December 5, 2006, for the purpose of construction, operation, and maintenance of sewer collection and water services. Prior to formation, the service area was administered by the County of San Bernardino as San Bernardino County Special Districts Zones B & C. District staff assumed full responsibility of the District from the County of San Bernardino on April 1, 2007.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The District's financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting, in conformity with generally accepted accounting principles (GAAP). Under the accrual basis of accounting, revenues are recognized in the period in which they are earned and expenses are recognized in the period in which the liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The District reports the following enterprise funds.

The **water fund** is used to account for activities related to the District's water system.

The **sewer fund** is used to account for activities related to the District's wastewater system.

The **parks and recreation fund** is used to account for activities related to the District's park and recreation programs.

The District has elected to follow Financial Accounting Standards Board (FASB) pronouncements issued before November 30, 1989, and all pronouncements of the Governmental Accounting Standards Board (GASB).

Use of Estimates

The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States. Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, and revenue and expenses during the period reported. These estimates include assessing the collectability of accounts receivable, the useful lives and impairment of tangible and intangible assets, the allocation of administrative account balances and transactions between the funds, and other estimates. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Accordingly, actual results could differ from those estimates.

HELENDALE COMMUNITY SERVICES DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 1: REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)

Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash on hand, demand deposits at financial institutions, investments in money market funds and government securities that are highly liquid and readily available with an original maturity of three months or less, deposits in the Investment Trust of California (CalTRUST), and deposits in the State of California Local Agency Investment Fund (LAIF). Deposits in the CalTRUST and LAIF can be withdrawn at any time without penalty.

Investments

Investments are stated at fair value (the value at which financial instruments could be exchanged in a current transaction between willing parties, other than in a forced liquidation sale), in accordance with GASB 31. Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

Allowance for Doubtful Accounts

The District considers all accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts has been recorded.

Due to Due from Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. The District reports negative cash in a fund from its pooled cash accounts as amounts due to other funds.

Prepaid Expenses

Certain payments to vendors reflect costs or deposits applicable to future accounting periods and are recorded as prepaid items in the financial statements.

Capital Assets

Purchased or constructed capital assets are recorded at actual cost or estimated historical cost if actual cost is unavailable. The costs of normal maintenance and repairs are charged to operations as incurred. District policy has established a threshold of \$5,000 for capitalization of depreciable capital assets. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances and any gains or losses are recognized.

HELENDALE COMMUNITY SERVICES DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 1: REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)

Capital Assets (continued)

Depreciation is computed using the straight-line method over the following estimated service lives:

Improvements to land	20 to 50 years
Structures and improvements	20 to 40 years
Equipment	5 to 15 years
Vehicles	5 to 10 years
Other intangibles	20 years

Employee Benefits

District employees earn vacation and sick leave days based on length of service. Upon termination, the District is obligated to compensate employees for 100% of the accrued unused vacation time. Upon retirement, the District is obligated to compensate employees for 50% of the accrued unused sick leave to a maximum of 1,000 hours. Compensated absences payable are presented in the current liabilities section of the statement of net assets.

The District provides health benefits through a cafeteria plan, which includes health, dental and vision care to eligible District employees. Benefit expenses are recognized in the period in which the benefits were provided.

Restricted Resources

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

Net Assets

Net assets are categorized as follows:

Invested in Capital Assets, Net of Related Debt – This component of net assets consists of capital assets, net of accumulated depreciation and reduced by any outstanding debt against the acquisition, construction or improvement of those assets.

Restricted Net Assets – This component of net assets consists of constraints placed on net assets use through external constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets – This component of net assets consists of net assets that do not meet the definition of *restricted* or *invested in capital assets, net of related debt*.

HELENDALE COMMUNITY SERVICES DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 1: REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Operating and Nonoperating Activities

Revenues and expenses are distinguished between operating and nonoperating items. Operating revenues generally result from providing services in connection with the District's principal ongoing operations. Operating expenses include costs associated with the purchasing, pumping, and distribution of water, the pumping, treatment, and transmission of wastewater, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

Property Taxes

Property taxes are attached as an enforceable lien on property as of March 1. Taxes are levied on July 1 and are due in two installments. The first installment is due on November 1, and is payable through December 10 without penalty. The second installment is due February 1, and becomes delinquent on April 10. Property taxes are remitted to the District from the County of San Bernardino at various times throughout the year.

Transfers

Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. Transfers are used to move unrestricted revenues from one fund to another in accordance with budgetary authorizations.

Contributions

Contributions represent cash and/or capital assets contributed to the District by other governmental agencies for the acquisition, construction or improvement of the District's capital assets.

NOTE 2: CASH AND INVESTMENTS

The District's cash and investments are pooled between the three funds. Negative cash in a fund is reclassified as due to other funds in the Statement of Net Assets. Cash and investments as of June 30, 2009 are classified in the accompanying financial statements as follows:

	<u>Water</u>	<u>Sewer</u>	<u>Parks and Recreation</u>	<u>Total</u>
Statement of Net Assets:				
Cash and cash equivalents	\$ -	\$ 79,203	\$ -	\$ 79,203
Investment pools	-	2,628,676	-	2,628,676
	<u>\$ -</u>	<u>\$ 2,707,879</u>	<u>\$ -</u>	<u>\$ 2,707,879</u>

HELENDALE COMMUNITY SERVICES DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

Cash and investments as of June 30, 2009 consisted of the following:

	<u>Water</u>	<u>Sewer</u>	<u>Parks and Recreation</u>	<u>Total</u>
Cash on hand	\$ -	\$ 300	\$ -	\$ 300
Deposits with financial institutions	-	78,903	-	78,903
Deposits with investment pools	-	2,628,676	-	2,628,676
Total Cash and Investments	\$ -	\$ 2,707,879	\$ -	\$ 2,707,879

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

The table below identifies the investment types that are authorized by the District in accordance with Section 53601 of 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, and concentration of credit risk.

<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 Bills, Notes and Bonds	5 years	100%	None
Government Agency Securities	None	100%	None
Banker's Acceptances	270 days	25%	5%
Commercial Paper	None	15%	10%
Negotiable Certificates of Deposit	5 years	25%	None
Repurchase Agreements	1 year	20%	None
California Local Agency Investment Fund	N/A	None	\$ 40,000,000
Medium-Term Notes	5 years	30%	None
Money Market Mutual Funds	90 days	20%	None
Collateralized Bank Deposits	None	10%	None
Investment Pools	None	30%	None

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 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.

HELENDALE COMMUNITY SERVICES DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 2: CASH AND INVESTMENTS (continued)

As of June 30, 2009, the District had the following investments and maturities:

	<u>Fair Value</u>	<u>Maturity</u>
State Investment Pool (LAIF)	\$ 503,087	8 months average
Investment Trust of California (CalTRUST)	\$ 2,125,589	14 months average

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

At June 30, 2009, the District did not hold investments that were highly sensitive to interest rate fluctuations beyond that already indicated in the information provided above.

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. Credit ratings of investments as of June 30, 2009 met or exceeded the minimum legal ratings required by the California Government Code (or the District's investment policy, where more restrictive).

Concentration of Credit Risk

The District's investment policy is to apply the prudent investor standard as set forth in the California Government Code: Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments.

The investment policy of the District contains limitations on the amounts that can be invested in any one issuer. At June 30, 2009, the District did not hold any investments in any one issuer (other than external investment pools) that represent 5% or more of total District investments.

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 deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a

HELENDALE COMMUNITY SERVICES DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 2: CASH AND INVESTMENTS (continued)

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.

As of June 30, 2009, none of the District's demand deposits with financial institutions were in excess of federal depository insurance limits.

Investment in External Investment Pools

State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF), which is part of the Pooled Money Investment Account that is regulated by the California Government Code under the oversight of the State Treasurer, Director of Finance and State Controller. The District may invest up to \$40,000,000 in the LAIF fund. Investments in LAIF are highly liquid, as deposits can be converted to cash within 24 hours without loss of interest. 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>.

The District's investment in this pool is reported in the accompanying financial statements at cost which approximates fair value at amounts based upon the 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.

Investment Trust of California

The District voluntarily participates in the Investment Trust of California (CalTRUST), a Joint Powers Authority ("JPA"), established by public agencies in California for the purpose of pooling and investing local agency funds, operating reserves, and bond proceeds. A Board of Trustees supervises and administers the investment program of the Trust. The Board is comprised of experienced investment officers and policy-makers of the public agency members.

For the CalTRUST Short-Term, Medium-Term, and Long-Term Accounts, funds from all participants are pooled in each of the accounts. Participants receive units in the Trust and designated shares for the particular accounts in which they invest. The District invests in the Short-Term Account, with targeted investment durations of up to two years.

CalTRUST invests in fixed income securities eligible for investment pursuant to California Government Code Sections 53601, et. seq. and 53635, et. seq. Investment guidelines adopted by the Board of Trustees may further restrict the types of investments held by the Trust, and leveraging within the Trust's portfolios is prohibited. Separate CalTRUST financial statements are available from the Trustee on the Internet at <http://www.caltrust.org>.

HELENDALE COMMUNITY SERVICES DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 3: CAPITAL ASSETS

Summaries of changes in capital assets in service for the year ended June 30, 2009 were as follows:

	Balance June 30, 2008	Additions	Deletions	Balance June 30, 2009
<u>Water</u>				
Land	\$ 160,000	\$ -	\$ -	\$ 160,000
Improvements to land	6,634,859	1,053,306	-	7,688,165
Equipment	229,823	77,463	(143,796)	163,490
Vehicles	144,054	51,725	(14,408)	181,371
Water rights and other intangibles	-	864,737	-	864,737
Construction in progress	1,420,875	1,324,098	(1,893,733)	851,240
Total Capital Assets	8,589,611	3,371,329	(2,051,937)	9,909,003
Accumulated depreciation	(3,627,094)	(167,780)	-	(3,794,874)
 Total Capital Assets, net	 <u>\$ 4,962,517</u>	 <u>\$ 3,203,549</u>	 <u>\$ (2,051,937)</u>	 <u>\$ 6,114,129</u>
 <u>Sewer</u>				
Improvements to land	\$ 5,854,877	\$ 762,020	\$ -	\$ 6,616,897
Equipment	97,991	40,695	(4,567)	134,119
Vehicles	145,432	5,557	(34,842)	116,147
Other intangibles	-	13,485	-	13,485
Construction in progress	52,844	717,684	(770,412)	116
Total Capital Assets	6,151,144	1,539,441	(809,821)	6,880,764
Accumulated depreciation	(3,562,078)	(282,405)	-	(3,844,483)
 Total Capital Assets, net	 <u>\$ 2,589,066</u>	 <u>\$ 1,257,036</u>	 <u>\$ (809,821)</u>	 <u>\$ 3,036,281</u>
 <u>Parks and Recreation</u>				
Land	\$ -	\$ 630,826	\$ -	\$ 630,826
Improvements to land	-	76,635	-	76,635
Structures and improvements	-	1,145,304	-	1,145,304
Equipment	-	982	-	982
Vehicles	-	192	-	192
Other intangibles	-	16,911	-	16,911
Construction in progress	-	85,988	-	85,988
Total Capital Assets	-	1,956,838	-	1,956,838
Accumulated depreciation	-	(38,804)	-	(38,804)
 Total Capital Assets, net	 <u>\$ -</u>	 <u>\$ 1,918,034</u>	 <u>\$ -</u>	 <u>\$ 1,918,034</u>

HELENDALE COMMUNITY SERVICES DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 4: DUE TO/FROM OTHER FUNDS

The composition of interfund balances as of June 30, 2009 was as follows:

<u>Receivable Fund</u>	<u>Amount</u>	<u>Payable Fund</u>
Sewer	\$ 1,085,634	Water
Sewer	<u>296,239</u>	Parks and Recreation
Total	<u>\$ 1,381,873</u>	

There were no interfund transfers during the year ended June 30, 2009.

NOTE 5: MATURED BONDS PAYABLE

San Bernardino County Special Districts Zones B & C were obligated for \$10,000 in bonds that were not redeemed. The District acquired the bond obligations, including \$5,213 in accrued interest on April 1, 2007 when it assumed full responsibility of the District from the County of San Bernardino. The related cash and accrued interest for the unredeemed bonds is held with the County, and is included in other receivables in these financial statements.

NOTE 6: NOTES PAYABLE

The District entered into an Installment Sale Agreement (Note) on December 23, 2008 in order to provide financing for acquiring and constructing various capital improvements to the District in the amount of \$2,832,000, maturing in 20 years at 4.95% interest per annum. The proceeds of the Note were used for (1) reimbursement of a portion of the purchase price of land and improvements (Silver Lakes Farm property), including water rights acquisition, wastewater effluent disposal area, District administration site and recreation area, (2) improvements to the wastewater treatment plant, including the acquisition and installation of sludge drying beds, headworks and clarifier, and (3) improvements to the water system, including developing well #10, well improvements, and the purchase of additional water rights.

HELENDALE COMMUNITY SERVICES DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 6: NOTES PAYABLE (continued)

Notes payable activity for the year ended June 30, 2009 was as follows:

	<u>Water</u>	<u>Sewer</u>	<u>Parks and Recreation</u>	<u>Total</u>
Balance, June 30, 2008	\$ -	\$ -	\$ -	\$ -
Additions	664,180	688,606	1,479,214	2,832,000
Reductions	<u>(9,909)</u>	<u>(10,273)</u>	<u>(22,068)</u>	<u>(42,250)</u>
Balance, June 30, 2009	<u>\$ 654,271</u>	<u>\$ 678,333</u>	<u>\$ 1,457,146</u>	<u>\$ 2,789,750</u>
Current portion	\$ 20,559	\$ 21,315	\$ 45,788	\$ 87,662
Noncurrent portion	<u>633,712</u>	<u>657,018</u>	<u>1,411,358</u>	<u>2,702,088</u>
	<u>\$ 654,271</u>	<u>\$ 678,333</u>	<u>\$ 1,457,146</u>	<u>\$ 2,789,750</u>

As of June 30, 2009, Annual debt service requirements to maturity for the notes payable are as follows:

<u>Year(s)</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 87,662	\$ 137,021	\$ 224,683
2011	92,055	132,628	224,683
2012	96,669	128,015	224,684
2013	101,513	123,171	224,684
2014	106,600	118,084	224,684
2015-2019	618,689	504,729	1,123,418
2020-2024	790,044	333,373	1,123,417
2025-2029	<u>896,518</u>	<u>114,558</u>	<u>1,011,076</u>
	<u>\$ 2,789,750</u>	<u>\$ 1,591,579</u>	<u>\$ 4,381,329</u>

The District may prepay the unpaid principal balance of the installment Note in whole or in part, on any installment payment date on or after December 23, 2013, by paying a prepayment price equal to the principal amount of the installment payments to be prepaid, together with the installment payment required to be paid on such installment payment date, plus a prepayment premium as follows:

HELENDALE COMMUNITY SERVICES DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 6: NOTES PAYABLE (continued)

<u>Prepayment Dates</u>	<u>Prepayment Premium</u>
December 23, 2013, through June 23, 2018	1.0%
December 23, 2018, and thereafter	0.0

The installment payments on this Note, and any redemption price payments, are payable from the net revenues of the District. Net revenues of the District have been pledged to the payment of the installment payments.

NOTE 7: DEFINED BENEFIT PENSION PLAN (PERS)

The District contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement, disability benefits, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Copies of PERS' annual financial report may be obtained from its executive office at 400 P Street, Sacramento, California 95814.

All full-time District employees are eligible to participate in PERS with benefits vesting after five years of service. District employees who retire at age 55 are entitled to an annual retirement benefit, payable monthly for life, at 2.7% of their average full-time monthly pay rate for the highest 12 consecutive months for each year of credited service.

Participants are required to contribute 5.5% of their annual covered salary. The District makes contributions of 2.5% of an employee's annual covered salary on their behalf and for their account. For the year ended June 30, 2009, the amount contributed by the District on behalf of the employees was approximately \$15,200. Benefit provisions and all other requirements are established by state statute and District ordinance.

Under GASB 27, an employer reports an annual pension cost (APC) equal to the annual required contribution (ARC) plus an adjustment for the cumulative difference between the APC and the employer's actual plan contribution for the year. The cumulative difference is called the net pension obligation (NPO). The District joined PERS on July 1, 2008, and therefore the ARC for the period July 1, 2008 to June 30, 2009 has not yet been determined by an actuarial valuation of the plan. The contribution rate indicated for the period was 11.443% of covered payroll. For the year ended June 30, 2009, the amount contributed by the District for the estimated ARC was approximately \$81,400. Additional disclosures required under GASB 27 have not been included since an actuarial valuation of the plan has not been performed.

After retirement, the District has no other retirement liability for the retired employee. The District does not offer other post employment benefits such as health, dental or life insurances.