



**Phelan Piñon Hills Community Services District  
Phelan, California**

**Annual Comprehensive Financial Report**

**For the Fiscal Year Ended**

**June 30, 2023**



**4176 Warbler Road | Phelan, CA**



**Phelan Piñon Hills Community Services District  
Phelan, California**

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**For the Fiscal Year Ended**

**June 30, 2023**

Prepared by:

*Lori Lowrance, Assistant General Manager / CFO*

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**Phelan Piñon Hills Community Services District**  
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**For the Fiscal Year Ended June 30, 2023**

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# **Introductory Section**





November 8, 2023

The Board of Directors of the  
Phelan Piñon Hills Community Services District  
Phelan, California

It is our pleasure to submit the Annual Comprehensive Financial Report (ACFR) for the Phelan Piñon Hills Community Services District (District) for the fiscal year ended June 30, 2023. District staff, following guidelines set forth by the Governmental Accounting Standards Board (GASB), prepared this financial report. The District is ultimately responsible for both the accuracy of the data and the completeness and the fairness of presentation, including all disclosures in this financial report. We believe that the data presented is accurate in all material respects. This report is designed in a manner that we believe necessary to enhance your understanding of the District's financial position and activities.

State Law and District by-laws require the District to obtain an annual audit of its financial statements by an independent certified public accountant. The accounting firm of C.J. Brown & Company CPAs has conducted the audit of the District's financial statements. Their unmodified Independent Auditor's Report appears in the Financial Section.

Generally Accepted Accounting Principles (GAAP) requires that management provide a narrative introduction, overview, and analysis to accompany the financial statements in the form of a Management's Discussion and Analysis (MD&A) section. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The District's MD&A can be found immediately following the Independent Auditor's Report.

## **District Profile**

### ***History***

In February 2008, the citizens of Phelan and Piñon Hills overwhelmingly voted to separate the Water, Parks and Recreation, and Street Lighting Districts from the County and create a Community Services District. The Phelan Piñon Hills Community Services District was established through an election on February 5, 2008. With an 81% approval rating, the voters approved the formation of the District as a consolidation of three Special Districts: Zone-L70 Water, CSA-9 Phelan Parks and Street Lighting and CSA 56-F1 Piñon Hills Parks. This consolidation enabled the communities to establish a form of self-governance while maintaining their individual rural integrity. The 128 square mile District is the largest Community Service District in San Bernardino County. In March 2008, the Phelan Piñon Hills Community Services District was formed (LAFCO Resolution 2994), with a five-member Board of Directors elected to govern the District.

## **District Profile, continued**

### ***History, continued***

Between March 2008 and June 30, 2008, during the early stages of the transition, the District continued to be operated and maintained by County of San Bernardino Special Districts. From July 1, 2008, through October 2008, the Directors outsourced the operations and maintenance of the District and began the recruitment process. In August, a General Manager was hired and in October through November 2008, the majority of the remaining staff was employed.

On November 16, 2011, LAFCO held a hearing on proposal 3167 and adopted resolution 3153 approving the activation of solid waste and recycling function and services for the District. On January 24, 2012, the Certificate of Completion was processed, formalizing the change in organization.

### ***Governance***

The District is governed by an elected, five-member Board of Directors. Board members are elected to a four-year term. For the currently seated Board, two Directors were elected in November of 2020 and three Directors were elected in November of 2022. The elected Directors set the policies of the District and provide guidance and leadership to the management and staff of the District.

The Board of Directors' regularly scheduled meetings are on the second and fourth Wednesdays of each month at 5pm in the Phelan Community Center. Additionally, the Directors are assigned to at least two standing committees, and some serve on ad hoc committees as needed. The committees have regularly scheduled monthly meetings for Engineering and Solid Waste and Recycling, and quarterly meetings for Parks, Recreation and Street Lighting, Legislative, and Finance. These meetings are open to the public who are encouraged to attend.

Resolution 2023-08, Section 1.1 states: The Board shall govern the District. The Board shall establish policies, direction, procedures, and oversight for the operation of the District. The Board shall provide for the implementation of those policies, which is the responsibility of the District's General Manager.

The elected board members delegate management responsibility of the day-to-day operations of the District to an appointed General Manager who, in turn, employs all personnel at the District, including department managers and supervisors. The District currently employs twenty-seven fulltime personnel. The District's General Manager, General Counsel, and external Auditor report directly to the Board of Directors.

### ***District Services***

As outlined by San Bernardino County LAFCO 3167 Staff Report, the District provides the following within its service area:

Water: Supply water for any beneficial use as outlined in the Municipal Water District law of 1911 (commencing with Section 71000) of the Water Code.

Park and Recreation: Acquire, construct, improve, maintain, and operate recreation facilities, including, but not limited to, parks and open space in the same manner as a recreation and park district formed pursuant to the Recreation and Park District Law (commencing with Section 5780) of the Public Resources Code.

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

## **District Profile, continued**

### ***District Services, continued***

Solid Waste and Recycling: Collect, transfer, and dispose of solid waste and provide solid waste handling service, including, but not limited to, source reduction, recycling, composting activities, pursuant to Division 30 (commencing with Section 40000), and consistent with Section 41821.2 of the Public Resources Code.

### ***Water***

The primary component of the District is water service. Being efficient in every aspect is essential and will help in improving fiscal responsibility as well as system integrity. Developing relationships with neighboring water companies, agencies, and resources will enable everyone to be more responsible and efficient; therefore, the District is looking at joint ventures whenever it is viable.

The District operates and maintains a considerable infrastructure in order to provide safe, good tasting water to the residents and businesses within a 128 square mile service area. The water service area is almost entirely residential, with approximately 99 percent of the water service connections serving single-family residences. The water infrastructure consists of 14 wells (approximately 1,000 feet deep) in six well fields, and 35 reservoirs with a combined capacity of approximately 12,000,000 gallons, 4 de-sanding tanks, 25 booster stations, 69 booster pumps, and 32 pressure reducing stations in 17 pressure zones, with approximately 353 miles of pipeline ranging from 4-inches to 16-inches in diameter.

The District obtains its water supply from the local groundwater aquifer, which is managed by two water authorities: Mojave Water Agency (MWA) and Antelope Valley Watermaster (AVW). If the District produces more than its allowance of groundwater in the MWA basins, the District may purchase replacement water from MWA, who replenishes the groundwater primarily with imported water from the State Water Project. If the Districts pumps any water out of the AVW basin, the District must pay the per unit fee, which changes annually.

The District encourages water conservation and offers incentive programs in partnership with the Alliance for Water Awareness and Conservation (AWAC), through the Mojave Water Agency, plus resource material to promote desert landscape. The District is focused on providing service now and for future generations.

### ***Parks and Recreation***

The District operates and maintains community centers with senior centers and two parks. The District continues to expand and improve these facilities to promote use. The District partners with the seniors at the two facilities and throughout the District to create programs that are beneficial to the community at large. The District also partners with local sports organizations and service clubs to create sports programs and activities in the community.

Parks and recreation are a vital component to any community. It not only adds beauty, but provides safe areas for activities of individuals, families, and groups. As part of the District, there are two community centers. These centers are utilized for a wide range of activities and are available to the community for a small fee. The District currently offers several events and activities and continues to explore various recreation ideas for the community.

Adjacent to the centers, the parks have picnic tables, playgrounds, basketball courts and other activities. They are available from morning until dusk. The District is looking to develop a large park facility that will have athletic fields, as well as standard park integrity. The District owns vacant parcels throughout the District for future park and recreation facilities.

## **District Profile, continued**

### ***Street lighting***

The streetlights primarily service the business district of Phelan. There are also lights at strategic intersections to help in providing safety to the community. Expansion of the street lighting to other intersections is considered based upon a safety need, but the District does respect the San Bernardino County “Dark Sky” ordinance and encourages residents to do the same.

### ***Solid Waste***

The District administers solid waste and recycling programs and is responsible for compliance with state and federal mandates. The District coordinates solid waste and recycling programs and provides a variety of events within the community. The District works closely with the contractual hauler, CR&R, to help accomplish these tasks.

### **Local Economy**

The District is located in Phelan and Piñon Hills, California, two unincorporated communities within San Bernardino County. During the first several years, San Bernardino County had witnessed a decrease in economic activity and a downturn in property values. Recent activity within the region, however, suggests a strengthening in home sale median prices and increased commercial activity. The past several years, increased home sales and new building throughout the Inland Empire has provided an upward trend in housing costs.

### **Financial Planning**

Since formation in 2008, the District has continued to look for cost saving measures and efficiencies. The District was able to decrease expenses considerably over the County’s costs of providing services. Despite the Board’s efforts to maintain rates and fees, revenues decreased and the cost of operating the District continued to rise. Due to the economic downturn and housing vacancies within the District, water revenue decreased by over 15% between 2009 and 2012. The economy also caused a reduction in property tax values resulting in a loss of almost 40% of property tax revenue between 2008 and 2012. The cost of pumping water out of the ground, the District’s only water source, increased by 18% in 2013, 14% in 2014, 5% in 2015, by another 5% in 2016, and continues to increase annually, including a 9% increase in 2020 and 15% in 2021, due to the Southern California Edison rate changes. These increases, along with significant impacts of the conservation and water quality mandates, negated the rate increases that were adopted in 2013 and implemented each year thereafter, thus requiring a water rate study in 2015, 2020, and again in 2021 due to agricultural impacts. The rate study outlined recommended rate changes, which the District adopted accordingly. The cost of operations continues to rise, including costs of producing and delivering water, and providing clean, safe parks and community centers with programs and activities for the community.

The District continues to look for alternative ways to increase revenue and decrease expenses to minimize rate changes to customers. In 2012 and 2015, the District purchased water rights, which resulted in a savings of reduced water rights fees. Even after repaying the \$7.5 million dollar loan, this purchase is estimated to save the District \$18.3 million dollars over the next thirty years. In 2016, the District installed a solar project that results in credits against the District’s most costly (currently over \$1,500,000 per year) expense: electricity. After loan repayment, the estimated savings due to the solar were projected to be \$8.3 million dollars over thirty years. The combined results of these two measures are savings estimated to exceed \$26.6 million dollars over the next thirty years.

## **Financial Planning, continued**

### *Current Financial Plans*

In 2012, the District conducted the first water rate and fee study. The study was completed over a six-month period with several public workshops held throughout the process to garner public involvement and input. On February 20, 2013, after exceeding notification and meeting requirements of Proposition 218 (now Articles XII C & D of the California Constitution), the Board held a public hearing on the proposed multi-year rate change and adopted the rate schedule.

In 2015, after state mandated orders were issued to address the drought conditions in the state and state water quality mandates necessitated the plan for a \$17 million dollar blending project, the District completed a second water rate study. The District again exceeded the requirements of Proposition 218 by notification of customers, holding workshops, and conducting public outreach meetings. In January 2016, rate changes were approved that include increased charges to recover the lost revenues and additional costs to the District resulting from the state mandated conservation programs as well as a surcharge to cover the costs to blend water in order to meet the state mandated water quality changes. In 2020 the scheduled rate study was completed. However, in 2021 due to unforeseen agricultural demand on the system the District completed the most recent rate study. The Board of Directors reviews the approved rate changes each year to verify the necessity of the rate change, and to determine if the change can be reduced as a result of District efforts to lower expenses and obtain additional revenues to help mitigate the costs of operations.

The Chromium-6 mitigation project was implemented in response to requirements by the State of California, which lowered the acceptable levels of Chromium-6 that can be detected in drinking water from 50 parts per billion (ppb) to 10 ppb. While the levels found in the District's water supply (at certain sources) remain significantly below the federal standards (100 ppb) and the former state standards (50 ppb), it slightly exceeded the state standards established on July 1, 2014 of 10 ppb. After significant review and consideration, it was determined that blending the District's water with water from a new source would meet the mandated water quality standards. The cost of the facilities that would enable blending was projected to be \$17 million dollars. The District was seeking grants and low interest loans to help reduce the impact to the customers. The District was in the process of implementing its compliance project when the State Water Resources Control Board reversed its ruling, changing the MCL back to 50 ppb. It is expected that the MCL will be reduced again, however the revised MCL is unknown at this time. The District has spent approximately \$6.8 million dollars toward the compliance project and has approved an additional \$4.3 million dollars in projects to meet the state's mandates. The total of approximately \$11.1 million dollars of the revised projects is \$5.9 million dollars less than the original estimated \$17 million dollars. The District will continue to collect the surcharge from customers to recover the funds expended.

In 2015/2016, the District completed installation of a 1.16-megawatt solar project, which is projected to save the District more than \$8.3 million dollars over a thirty-year period. The District receives credits for electricity produced from the solar project that to help offset the considerable electric costs.

### *Long-Term Financial Plans*

The District has developed 10-year plans for infrastructure repair, replacement, and additions. The additional facilities for the Water Fund are projected based on the District's Water Master Plan as growth occurs. A Parks Master Plan was completed in 2019 outlining long range plans and priorities. Parks and Recreation and Solid Waste and Recycling plans are developed by staff and the Committees. The repairs and replacements for all funds are based on estimated useful life of District facilities. These plans are updated and reviewed by the Board of Directors each year.

## **Financial Planning, continued**

### *District Strategic Plan*

The District updated and adopted the Strategic Plan in 2021/2022. The plan was developed by BHI Management Consulting. BHI had numerous meetings with the Board of Directors, management, staff, and the public, to bring forth a comprehensive plan that provides focus for development of the District. The plan's current Vision to Action Table is on the following pages. The full plan is available on the District's website and is cited throughout this document in reference to goals and plans for the coming year.

## **Relevant Financial Policies and Controls**

Phelan Piñon Hills Community Services District financial policies include many of the District's financial management practices that are used by District staff as guidelines for operational and strategic decision making related to current and future financial matters. The purpose of establishing these policies is to set parameters in which the District can operate to best serve its constituents. Some policies are flexible when they are utilized by District staff as management tools to monitor the District's finances, while others are restrictive to emphasize accountability.

These policies are drafted as living documents to maintain their effectiveness in order to accommodate changes. District staff and Board Members review these policies periodically to accommodate minor changes to the existing policy or major changes in financial priorities as approved by the Board of Directors at its sole discretion.

The District's primary financial policies encompass the following areas:

- Budget Policy
- Investment Policy
- Reserves Policy
- Revenue Policy
- Purchasing Policy

### ***Budget Policy (Resolution 2023-10)***

The Budget Policy formally documents the budget goals and practices. The budget policy addresses legal requirements, balanced budget definition and goals, periodic reporting requirements, and assumption guidelines. The District considers a budget as balanced if there are sufficient net revenues to cover the cost of operations and debt service. Adjustments to the budget may be made in compliance with 1.8 of this policy.

### ***Investment Policy (Resolution 2020-01)***

The Investment Policy provides guidelines for ensuring the safety of funds invested while maximizing investment interest income to the District. The policy and procedures are written to be in accordance with California Government Code Sections 53600 et seq. and 53635 et seq. The three principle investment factors of Safety, Liquidity, and Yield are to be taken into consideration, in the specific order listed, when making investment decisions.

### ***Reserves Policy (Resolution 2023-07)***

The District Reserves Policy was established to protect the District's customers, taxpayers, investments in various assets and commitments under numerous financial, regulatory, and contractual obligations. The efficient management of these reserves, when combined with their appropriate fortification, add additional assurance that current levels of safety, service reliability, and quality will continue.

## **Relevant Financial Policies and Controls, continued**

### ***Reserves Policy (Resolution 2016-04), continued***

Reserves are broken down into three areas, Operations, Property Plant and Equipment Replacement, and Disaster Response.

- Operating Reserves has a goal of six months, and no less than three months, of operations, based on the current budget, and includes a debt service reserve, as required by debt covenants.
- Property, Plant and Equipment (PPE) Reserves has a goal of two times, not to exceed four times, of the total annual depreciation. This is to assure there is adequate funding available to make major repairs (extending the useful life of the asset), and replace PPE as is necessary.
- Disaster Response Reserves has a goal of 10% of total assets (excluding Land and Water Rights). This is to help ensure that, in the event of a disaster, the District will have the funds necessary to repair and/or replace assets that are damaged.
- Rate Stabilization Reserves has a goal of 5% to 10% of water revenues. This is to help smooth out revenue variability resulting from various factors.

### ***Revenue Policy (Resolution 2021-20)***

The Revenue Policy establishes the District's basic policies and procedures concerning revenues received by the District. The policy shall include guidelines to design, maintain and administer a revenue system that will assure a reliable, equitable, diversified, and sufficient revenue stream to support District services, in accordance with GAAP, and state and federal laws.

Revenue received by the District shall be utilized in accordance with this policy. Revenue received for specific funds within the District shall be utilized for expenses and obligations incurred by that fund. Revenue received into the Governmental Fund will be distributed in accordance with the Budget and the policies and approved by the Board of Directors.

### ***Purchasing Policy (2022-05)***

The purpose of the policy is to standardize the purchasing procedures of the District, thereby securing advantages of a centralized and uniform purchasing policy, saving the taxpayers money and increasing public confidence in the procedures for District purchasing; to promote the fair and equitable treatment of all customers and suppliers, and to set forth the duties and responsibilities of the General Manager and District staff. The purchasing policy is reviewed periodically and updated as deemed appropriate by the Board of Directors.

- Less than \$5,000            Managed by rules of procedures established by the General Manager
- \$5,000 – \$15,000        Requires three quotations and approval of the General Manager
- \$15,000 – \$25,000        Requires price quotations and informal or formal bids and approval of the General Manager
- Exceeding \$25,000        Requires Board approval

### ***Government Fund Balance Policy***

The District adopted fund balance policy based on the published Governmental Accounting Standards Board (GASB) Statement No. 54, which established accounting and financial reporting standards for all governments that report governmental funds. This statement divides the fund balance into five classifications: (1) non-spendable, (2) restricted, (3) committed, (4) assigned, and (5) unassigned.

## **Relevant Financial Policies and Controls, continued**

### ***Internal Control***

District management is responsible for the establishment and maintenance of the internal control structure that ensures that the assets of the District are protected from loss, theft, or misuse. The internal control structure also ensures that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The District's internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgments by management.

### ***Budgetary Control***

The Board of Directors adopts the Phelan Piñon Hills Community Services District (District) annual budget, after public hearing(s), by June 30 of each year. The budget is in effect from July 1 of the current year to June 30 of the following year. The Board may modify the budget at any time with majority approval.

The General Manager is authorized to implement the programs as approved in the adopted budget. It is the responsibility of the General Manager to establish adequate controls to ensure expenditures do not exceed the approved budget. The Purchasing Policy provides the standards and approval levels by which purchases can be made. Additionally, rules of the procedures are established by the General Manager to ensure against abuse of public interest.

The Board reviews the budget versus actual revenues and expenses at committee level and financials are also presented to the Board on a quarterly basis for consideration. Budget adjustments may be authorized by the Board of Directors.

### ***Accounting and Financial Practices***

The District's accounting and budgetary records are maintained using an accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, such as unbilled but utilized utility services recorded at year end. The budget detailed in this document is used as a management tool for projecting and measuring revenues and expenses.

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity with a self-balancing set of accounts established for the purpose of carrying out specific activities or attaining certain objectives in accordance with specific regulations, restrictions or limitations.

Funds are organized into two major categories: Governmental and Enterprise (or proprietary) categories:

Governmental Funds – Parks and Recreation, Street Lighting, and Solid Waste and Recycling.

Enterprise Fund – Water

## **Major Initiatives by Department**

### ***Administration and Finance***

Administration and Finance is responsible for general administration and fiscal support to the Board, Management, Supervisors, and all departments within the District. These duties include complete financial and accounting support for all departments, providing great service to customers and staff, administrative duties to the Board, risk management, Human Resources, document management, public relations, facilities reservations, accounting, accounts payable, accounts receivable, payroll, debt service, water billing, and revenue collection.

## **Major Initiatives by Department, continued**

### ***Administration and Finance, continued***

#### **Projects in Progress and/or Completed in 2022/2023:**

- Received ACFR Award from GFOA (Government Finance Officers Association)
- Received Budget Award from GFOA and CSMFO
- Maintained Transparency Certification from California Special District Association (CSDA)
- Provided outstanding customer service
- Explore and implement treasury options
- Update policies and procedures
- Cross-training program
- Develop Succession and Retention Planning Program
- Update Employee Personnel Manual
- Implement key CIP projects
- Maintain and update maintenance measures
- Implement new meter reading software and customer service portal

### ***Engineering***

The Engineering Department provides professional planning and engineering services to customers, both internal and external. Further, it is charged with overseeing, planning, designing, and implementing numerous projects outlined by the District's adopted Water Master Plan and integrating and coordinating those projects in conjunction with outside programs and agencies. Additionally, it provides for quality development through customer service, and timely and effective management of development and compliance processes.

#### **Projects in Progress and/or Completed in 2022/2023:**

- Expand GIS application and field data to include links to as-built, easements, etc.
- Civic Center Complex – Consultants/County coordination
- Phelan Park Expansion Project – Planning; Consultants/County
- Pressure Zone 7 Expansion (Pinon Hills Road pipeline project)
- Thermal Imagery leak detection program
- Chromium-6 Mitigation Project – Engineering Study of potential revised mandates
- 2020 Water Master Plan (WMP) – Review, manage
- Smithson Springs – Tank and Pipeline Study/Design
- Water meter replacement AMI GIS integration
- Phase II update to Azure Active Directory & Microsoft 365
- Well equipping and pipeline design
- Public Water Line Map located in District website
- Expand GIS Applications to include Production Analytics, CIP tracking, and Incident Reporting

## **Major Initiatives by Department, continued**

### ***Water Operations***

Water Operations is responsible for the production, treatment, and distribution of reliable high-quality groundwater to the District's customers in an efficient manner. Water Operations personnel focus on reliability and accountability in the operation and maintenance of a vast array of production, conveyance, distribution facilities, and processes and systems to protect public health and to maintain high quality water consistent with all regulations. Water Operations personnel also perform monitoring, implement processes, and conduct analysis to ensure the water delivered to the customers meets and exceeds all regulatory requirements.

### **Projects in Progress and/or Completed in 2022/2023:**

- Valve Maintenance and Exercising Program - 2,200 a year goal
- Hydrant Maintenance and Flushing Program 600 a year goal
- Dead-end Flushing Program all flushed yearly no exceptions
- Service Line Replacement Program 150 a year goal
- Cross Connection Prevention Program
- Air-Vac Maintenance and Flushing Program 150 a year goal
- Monthly tank inspections and annual overflows to ensure good sanitary practices
- Sand testing of District wells and boosters
- PRV Maintenance and Repair Program
- Provide training and education to all staff in OSHA regulations
- Adhere to strict and accurate inventory standards
- Perform annual pump efficiency at District wells and boosters
- Perform annual meter certifications at all District wells
- Systematic and thorough cleaning of selected District reservoirs
- Train all staff on SCADA system
- Drop section water mains per the 10-year maintenance plan
- Interior coating of reservoirs per the 10-year maintenance plan
- Phase 3 & 4 of 5 of the meter change-out program
- Develop additional water production supply plan

### ***Parks and Recreation***

Parks and Recreation manages and maintains District owned parks and recreation facilities to provide quality and safe facilities to meet the needs of the community. It provides planning for facility development and improvement projects. Additionally, it provides development of projects and events for recreation, programs, and activities of the District.

### **Projects in Progress and/or Completed in 2022/2023:**

- Phelan Park expansion project
- Improve park operations
- Provide additional training for staff
- Pursue additional recreation programs in partnership with businesses, clubs, and local sports associations
- Pursue additional recreational programs to meet community needs
- Repair or replace approved equipment and facilities from the 10-year maintenance plan
- Use the parks master plan information for all parks and recreation planning

## **Major Initiatives by Department, continued**

### ***Street Lighting***

Streetlights primarily service the business district of Phelan. The District does have some streetlights at strategic intersections to help in providing safety to the community. The District considers expansion of street lighting to other intersections based upon a safety need, but the District respects the San Bernardino County “Dark Sky” ordinance and encourages residents to do the same.

### **Projects in Progress and/or Completed in 2022/2023:**

There were no requests for street lights in 2022/2023.

### ***Solid Waste***

The District administers solid waste (trash, recycling, and organics) programs. Solid waste collection services are contracted with CR&R. The District works closely with CR&R to coordinate various programs and provide a variety of events within the community.

### **Projects in Progress and/or Completed in 2022/2023:**

- Adopt a procurement policy in compliance with SB 1383
- Implement an edible food recovery program in compliance with SB 1383
- School Outreach Program
- Educate commercial customers on new requirements
- Educate customers on upcoming requirements
- Implement new collection ordinance requirements
- Adopt and Implement Recycled Paper Products Procurement Policy
- Develop and expand partnerships for disposal of organic waste
- Amend Franchise Agreement with CR&R

### **Acknowledgements**

Preparation of this report was accomplished by the combined efforts of District staff. We appreciate the dedicated efforts and professionalism that our staff members bring to the District. We would also like to thank the members of the Board of Directors for their continued support in the planning and implementation of the Phelan Piñon Hills Community Services District’s fiscal policies.

Respectfully submitted,



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Don Bartz, General Manager

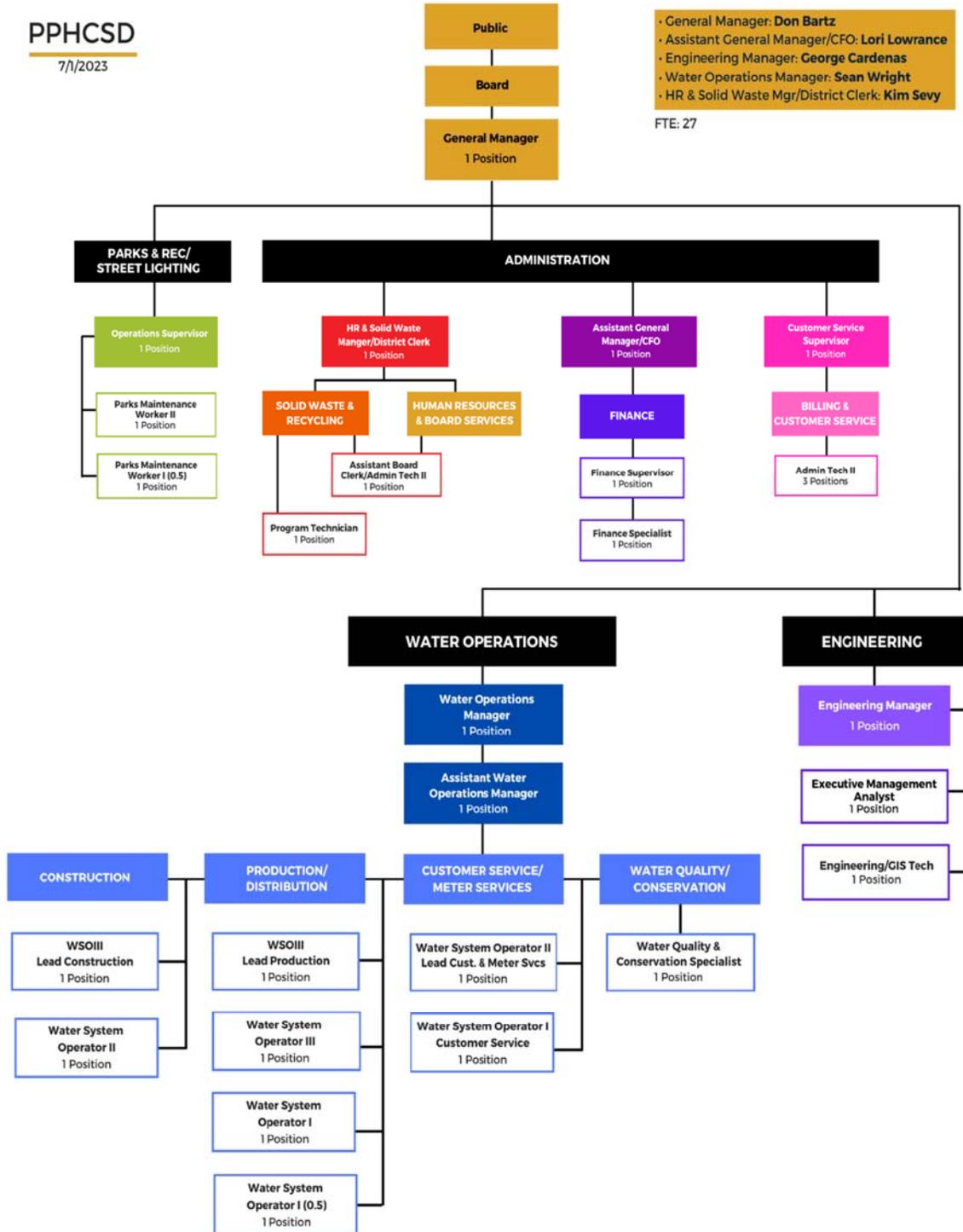
# Organizational Chart

## As of June 30, 2023

### ORGANIZATIONAL CHART

PPHCSD  
7/1/2023

General Manager: **Don Bartz**  
 Assistant General Manager/CFO: **Lori Lowrance**  
 Engineering Manager: **George Cardenas**  
 Water Operations Manager: **Sean Wright**  
 HR & Solid Waste Mgr/District Clerk: **Kim Sevy**  
 FTE: 27



# Phelan Piñon Hills Community Services District

## Our Mission Statement

*“The Mission of the Phelan Piñon Hills Community Services District is to efficiently provide authorized services and maximize resources for the benefit of the community.”*

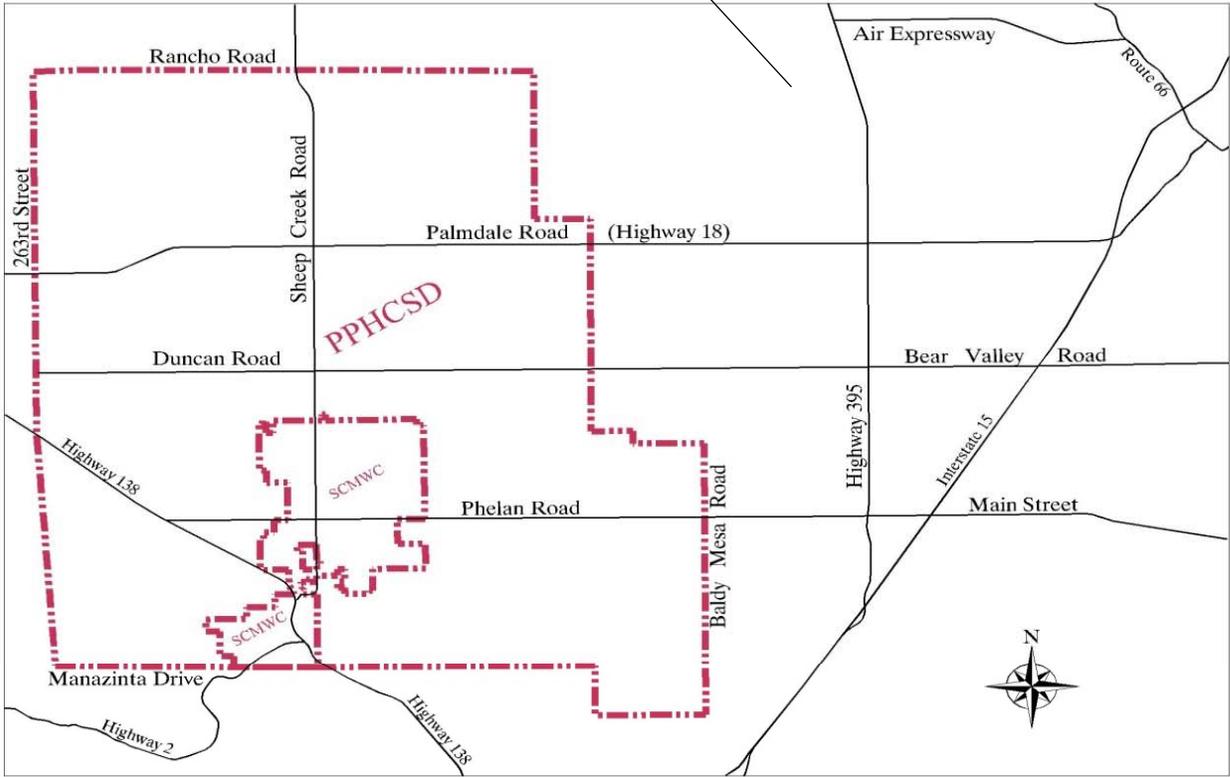
<u>Name</u>	<u>Title</u>	<u>Elected/ Appointed</u>	<u>Term Expires</u>
Rebecca Kujawa	President	Elected	2024
Mark Roberts	Vice President	Elected	2024
Greg Snyder	Director	Elected	2026
Chuck Hays	Director	Elected	2026
Deborah Philips	Director	Appointed	2024

## District Management

Donald Bartz	General Manager
Lori Lowrance	Assistant General Manager / CFO
Kim Ward	Human Resources Manager / Executive Secretary
George Cardenas	Engineering Manager
Sean Wright	Water Operations Manager

**Phelan Piñon Hills Community Services District  
4176 Warbler Road  
Phelan, CA 92371  
(760) 868-1212**

# District Service Area





Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**Phelan Pinon Hills Community Services District  
California**

For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

June 30, 2022

*Christopher P. Morill*

Executive Director/CEO



# **Financial Section**





**C.J. Brown & Company CPAs**  
An Accountancy Corporation

Christopher J. Brown, CPA, CGMA  
Jonathan Abadesco, CPA  
Jeffrey Palmer

**Cypress Office:**  
10805 Holder Street, Suite 150  
Cypress, California 90630  
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Riverside, California 92507  
(657) 214-2307

**Independent Auditor's Report**

Board of Directors  
Phelan Piñon Hills Community Services District  
Phelan, California

**Report on the Financial Statements**

***Opinions***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Phelan Piñon Hills Community Services District (District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the District, as of June 30, 2023, 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.

***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Responsibility of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## Independent Auditor's Report, continued

### *Auditor's Responsibilities for the Audits of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

## Independent Auditor's Report, continued

### *Other Matters*

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 19 through 23 and the required supplementary information on pages 63 through 69 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section on pages 1 through 15 and statistical section on pages 70 through 87 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2023, 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. That report can be found on pages 88 and 89.

*C.J. Brown & Company, CPAs*

**C.J. Brown & Company CPAs**

Cypress, California  
November 8, 2023

**Phelan Piñon Hills Community Services District**  
**Management’s Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2023**

The following Management’s Discussion and Analysis (MD&A) of activities and financial performance of the Phelan Piñon Hills Community Services District (District) provides an introduction to the financial statements of the District for the fiscal year ended June 30, 2023. We encourage readers to consider the information presented here with additional information that we have furnished in the accompanying basic financial statements and related notes, which follow this section.

**Financial Highlights**

- In 2023, the District’s net position increased by 3.01% or \$1,612,700 to \$55,133,311 as a result of ongoing operations.
- In 2023, the District’s total revenues increased 14.05% or \$1,566,790 to \$12,720,329.
- In 2023, the District’s total expenses increased by 37.86% or \$3,050,502 to \$11,107,629.

**Using This Financial Report**

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities and performance of the District using accounting methods similar to those used by private sector companies.

The Statement of Net Position includes all of the District’s investments in resources (assets), deferred outflows of resources, obligations to creditors (liabilities), and deferred inflows of resources. It also provides the basis for computing a rate of return, evaluating the capital structure of the District, and assessing the liquidity and financial flexibility of the District. All of the current year’s revenues and expenses are accounted for in the Statement of Activities. This statement measures the success of the District’s operations over the past year and can be used to determine the District’s profitability and credit worthiness.

**Government-wide Financial Statements**

**Statement of Net Position and Statement of Activities**

One of the most important questions asked about the District’s finances is, “Is the District better off or worse off as a result of this year’s activities?” The Statement of Net Position and the Statement of Activities report information about the District in a way that helps answer this question. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current year’s revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the District’s *net position* and changes in it. Think of the District’s net position – assets and deferred outflows of resources less liabilities and deferred inflows of resources – as one way to measure the District’s financial health, or *financial position*. Over time, *increases or decreases* in the District’s net position is one indicator of whether its *financial health* is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in the District’s property tax base and the types of grants the District applies for to assess the *overall financial health* of the District.

**Phelan Piñon Hills Community Services District  
Management’s Discussion and Analysis  
For the Fiscal Year Ended June 30, 2023**

**Fund Financial Statements**

**Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance**

*Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

**Notes to the Basic Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 32 through 62.

**Government-wide Financial Analysis**

**Statements of Net Position**

The following table is a summary of the statement of net position at June 30, 2023.

<b>Condensed Statements of Net Position</b>						
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total District</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
<b>Assets:</b>						
Current assets	\$ 5,992,296	8,525,081	14,223,338	14,261,106	20,215,634	22,786,187
Non-current assets	3,369,391	288,471	6,722,142	485,261	10,091,533	773,732
Capital assets, net	<u>3,958,144</u>	<u>3,932,315</u>	<u>38,696,617</u>	<u>37,633,893</u>	<u>42,654,761</u>	<u>41,566,208</u>
<b>Total assets</b>	<u>13,319,831</u>	<u>12,745,867</u>	<u>59,642,097</u>	<u>52,380,260</u>	<u>72,961,928</u>	<u>65,126,127</u>
<b>Deferred outflows of resources</b>	<u>62,707</u>	<u>100,590</u>	<u>564,368</u>	<u>905,311</u>	<u>627,075</u>	<u>1,005,901</u>
<b>Liabilities:</b>						
Current liabilities	58,815	106,542	2,463,452	1,615,860	2,522,267	1,722,402
Non-current liabilities	<u>14,817</u>	<u>9,271</u>	<u>15,702,995</u>	<u>10,440,460</u>	<u>15,717,812</u>	<u>10,449,731</u>
<b>Total liabilities</b>	<u>73,632</u>	<u>115,813</u>	<u>18,166,446</u>	<u>12,056,320</u>	<u>18,240,078</u>	<u>12,172,133</u>
<b>Deferred inflows of resources</b>	<u>215,614</u>	<u>384,867</u>	<u>-</u>	<u>54,417</u>	<u>215,614</u>	<u>439,284</u>
<b>Net position:</b>						
Net investment in capital assets	3,958,144	3,932,315	22,316,585	26,668,410	26,274,729	30,600,725
Unrestricted	<u>9,135,148</u>	<u>8,413,462</u>	<u>19,723,434</u>	<u>14,506,424</u>	<u>28,858,582</u>	<u>22,919,886</u>
<b>Total net position</b>	<u>\$ 13,093,292</u>	<u>12,345,777</u>	<u>42,040,019</u>	<u>41,174,834</u>	<u>55,133,311</u>	<u>53,520,611</u>

**Phelan Piñon Hills Community Services District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2023**

**Government-wide Financial Analysis, continued**

**Statements of Net Position, continued**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets plus deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$55,133,311 as of June 30, 2023. The District's total net position is made-up of two components: (1) net investment in capital assets and (2) unrestricted net position.

**Statements of Activities**

The following table is a summary of the statement of activities for the year ended June 30, 2023.

<b>Condensed Statements of Activities</b>						
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total District</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 344,119	239,518	8,556,149	8,799,614	8,900,268	9,039,132
<b>General revenues:</b>						
Property taxes	1,668,208	1,494,147	15,565	22,612	1,683,773	1,516,759
Interest earnings(loss), net	428,419	(75,411)	736,007	(264,479)	1,164,426	(339,890)
Other	429,990	342,798	541,872	594,740	971,862	937,538
<b>Total revenues</b>	<u>2,870,736</u>	<u>2,001,052</u>	<u>9,849,593</u>	<u>9,152,487</u>	<u>12,720,329</u>	<u>11,153,539</u>
<b>Expenses:</b>						
General	5,739	28,752	-	-	5,739	28,752
Parks and recreation	724,086	437,980	-	-	724,086	437,980
Street lighting	25,374	16,563	-	-	25,374	16,563
Solid waste	197,679	63,491	-	-	197,679	63,491
Water	-	-	10,154,751	7,510,341	10,154,751	7,510,341
<b>Total expenses</b>	<u>952,878</u>	<u>546,786</u>	<u>10,154,751</u>	<u>7,510,341</u>	<u>11,107,629</u>	<u>8,057,127</u>
<b>Excess before transfers</b>	1,917,858	1,454,266	(305,158)	1,642,146	1,612,700	3,096,412
<b>Transfers from(to) other funds</b>	<u>(1,170,343)</u>	<u>(436,864)</u>	<u>1,170,343</u>	<u>436,864</u>	<u>-</u>	<u>-</u>
<b>Change in net position</b>	747,515	1,017,402	865,185	2,079,010	1,612,700	3,096,412
<b>Net position, beginning of period</b>	<u>12,345,777</u>	<u>11,328,375</u>	<u>41,174,834</u>	<u>39,095,824</u>	<u>53,520,611</u>	<u>50,424,199</u>
<b>Net position, end of period</b>	<u>\$ 13,093,292</u>	<u>12,345,777</u>	<u>42,040,019</u>	<u>41,174,834</u>	<u>55,133,311</u>	<u>53,520,611</u>

Compared to the prior year, net position of the District increased 3.01% or \$1,612,700 to \$55,133,311 as a result of ongoing operations.

Total revenues increased 14.05% or \$1,566,790 to \$12,720,329. The District's general revenues increased by \$1,705,654, due primarily to increases of \$1,504,316 in interest earnings due to the District's portfolio of investments in the current year as compared to prior year, \$167,014 in property taxes due to increases in property tax assessments, and \$34,324 in other income. The District's program revenues decreased by \$138,864, due primarily to decreases of \$328,009 in water consumption sales due to decreased demand sourcing as a result of having a wet year in fiscal year 2022/2023, \$117,468 in other charges for services due to reinstating credit card fees which were waived during the pandemic, and \$94,973 in general fund charges for services sourcing from a County refund of property taxes, which were offset by an increase of \$196,457 in meter monthly service charges due to a rate increase effective July 1, 2022.

**Phelan Piñon Hills Community Services District  
Management’s Discussion and Analysis  
For the Fiscal Year Ended June 30, 2023**

**Government-wide Financial Analysis, continued**

**Statements of Activities, continued**

Total expenses increased by 37.86% or \$3,050,502 to \$11,107,629 due primarily to increases of \$1,971,540 in water general and administrative due to pension actuarial changes, \$286,106 in parks and recreation expenses due to increases in labor and capital outlay expenses, \$253,202 in water transmission and distribution due to increases in repair and maintenance expenses, \$134,188 in solid waste expenses due to increases in labor costs, \$124,768 in water interest expense sourcing from additions to long term debt, \$18,378 in water pumping – utilities, net of solar credits.

**Changes in Fund Balance – Governmental Funds**

The following table is a summary of the changes in fund balance for all governmental funds for the year ended June 30, 2023.

**Condensed Changes in Fund Balance - Governmental Funds**

	<u>General</u>	<u>Parks and Recreation</u>	<u>Street Lighting</u>	<u>Solid Waste</u>	<u>Total Governmental Activities</u>
Fund balance, beginning of year	\$ 3,170,555	4,970,799	22,416	97,833	8,261,603
Change in fund balance	<u>286,419</u>	<u>533,132</u>	<u>848</u>	<u>(2,221)</u>	<u>818,178</u>
Fund balance, end of year	<u>\$ 3,456,974</u>	<u>5,503,931</u>	<u>23,264</u>	<u>95,612</u>	<u>9,079,781</u>

In 2023, total fund balance increased by 9.90% or \$818,178 to \$9,079,781. The General fund increased by 9.03% or \$286,419 to \$3,456,974 due primarily to revenues exceeding expenditures and transfers out. The Parks and Recreation fund increased by 10.73% or \$533,132 to \$5,503,931 due primarily to revenues exceeding expenditures and transfers in. The Street Lighting fund increased by 3.78% or \$848 to \$23,264, and the Solid Waste fund decreased by 2.27% or \$2,221 to \$95,612.

**Capital Asset Administration**

**Capital Assets**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total District</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Capital assets:						
Non-depreciable assets	\$ 3,489,067	3,370,541	20,677,936	18,766,947	24,167,003	22,137,488
Depreciable assets	<u>2,140,729</u>	<u>2,140,729</u>	<u>50,760,428</u>	<u>50,350,432</u>	<u>52,901,157</u>	<u>52,491,161</u>
<b>Total capital assets</b>	5,629,796	5,511,270	71,438,364	69,117,379	77,068,160	74,628,649
Accumulated depreciation	<u>(1,671,652)</u>	<u>(1,578,955)</u>	<u>(32,741,747)</u>	<u>(31,483,486)</u>	<u>(34,413,399)</u>	<u>(33,062,441)</u>
<b>Total capital assets, net</b>	<u>\$ 3,958,144</u>	<u>3,932,315</u>	<u>38,696,617</u>	<u>37,633,893</u>	<u>42,654,761</u>	<u>41,566,208</u>

At the end of fiscal year 2023, the District’s capital assets (net of accumulated depreciation) amounted to \$42,654,761. Capital assets include land, buildings, building improvements, furnishings and equipment, collection and distribution systems, tanks, wells, water transmission and distribution systems, and construction-in-process. The capital assets of the District are more fully analyzed in Note 4 to the basic financial statements.

**Phelan Piñon Hills Community Services District  
Management’s Discussion and Analysis  
For the Fiscal Year Ended June 30, 2023**

**Long-Term Debt Administration**

		Long-term Debt					
		Governmental Activities		Business-Type Activities		Total	
		2023	2022	2023	2022	2023	2022
Long-term debt:							
Long-term debt	\$	-	-	16,380,032	10,965,483	16,380,032	10,965,483
<b>Total long-term debt</b>	<b>\$</b>	<b>-</b>	<b>-</b>	<b>16,380,032</b>	<b>10,965,483</b>	<b>16,380,032</b>	<b>10,965,483</b>

Long-term debt increased by 49.38% or \$5,414,549 to \$16,380,032 in 2023 primarily due to additions of \$6,040,000 for the Civic Center site lease, offset by \$625,451 in regular debt service payments. The long-term debt position of the District is more fully analyzed in Note 6 to the basic financial statements.

**Conditions Affecting Current Financial Position**

Management is unaware of any conditions which could have a significant impact on the District’s current financial position, net position, or operating results in terms of past, present, and future.

**Requests for Information**

This financial report is designed to provide the District’s present users, including funding sources, customers, stakeholders, and other interested parties with a general overview of the District’s finances and to demonstrate the District’s accountability with an overview of the District’s financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the District’s Assistant General Manager/CFO, Lori Lowrance, at Phelan Pinon Hills Community Services District, 4176 Warbler Road, Phelan, California, 92371 or (760) 868-1212.

# **Basic Financial Statements**

**Phelan Piñon Hills Community Services District**  
**Statement of Net Position**  
**June 30, 2023**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Current assets:</b>			
Cash and cash equivalents (note 2)	\$ 4,545,439	3,158,234	7,703,673
Cash and cash equivalents – restricted (note 2)	-	6,136,945	6,136,945
Investments (note 2)	1,161,963	2,359,137	3,521,100
Accrued interest receivable	-	302,567	302,567
Accounts receivable – water sales and services	-	941,117	941,117
Accounts receivable – other	63,549	77,733	141,282
Leases receivable (note 3)	176,066	-	176,066
Property taxes and assessments receivable	45,279	125,631	170,910
Materials and supplies inventory	-	730,983	730,983
Prepays and other assets	-	390,991	390,991
Total current assets	<u>5,992,296</u>	<u>14,223,338</u>	<u>20,215,634</u>
<b>Non-current assets:</b>			
Investments (note 2)	3,310,906	6,722,142	10,033,048
Leases receivable (note 3)	58,485	-	58,485
Capital assets – not being depreciated (note 4)	3,489,067	20,677,936	24,167,003
Capital assets – being depreciated, net (note 4)	469,077	18,018,681	18,487,758
Total non-current assets	<u>7,327,535</u>	<u>45,418,759</u>	<u>52,746,294</u>
<b>Total assets</b>	<u>13,319,831</u>	<u>59,642,097</u>	<u>72,961,928</u>
<b>Deferred outflows of resources:</b>			
Deferred pension outflows (note 7)	<u>62,707</u>	<u>564,368</u>	<u>627,075</u>
<b>Current liabilities:</b>			
Accounts payable and accrued expenses	27,155	1,025,127	1,052,282
Accrued salaries and related payables	2,804	143,742	146,546
Customer deposits and unearned revenue	17,501	101,742	119,243
Accrued interest on long-term debt	-	241,925	241,925
Long-term liabilities – due within one year:			
Compensated absences (note 5)	11,355	121,343	132,698
Long-term debt (note 6)	-	829,573	829,573
Total current liabilities	<u>58,815</u>	<u>2,463,452</u>	<u>2,522,267</u>
<b>Non-current liabilities:</b>			
Long-term liabilities – due in more than one year:			
Compensated absences (note 5)	11,354	121,343	132,697
Long-term debt (note 6)	-	15,550,459	15,550,459
Net pension liability (note 7)	3,463	31,193	34,656
Total non-current liabilities	<u>14,817</u>	<u>15,702,995</u>	<u>15,717,812</u>
<b>Total liabilities</b>	<u>73,632</u>	<u>18,166,446</u>	<u>18,240,078</u>
<b>Deferred inflows of resources:</b>			
Deferred lease inflows (note 3)	<u>215,614</u>	-	215,614
Total deferred inflows of resources	<u>215,614</u>	-	215,614
<b>Net position (note 8):</b>			
Net investment in capital assets	3,958,144	22,316,585	26,274,729
Unrestricted	9,135,148	19,723,434	28,858,582
<b>Total net position</b>	<u>\$ 13,093,292</u>	<u>42,040,019</u>	<u>55,133,311</u>

See accompanying notes to the basic financial statements

**Phelan Piñon Hills Community Services District**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2023**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental activities:</b>						
General	\$ 5,739	322,936	-	317,197	-	317,197
Parks and recreation	724,086	21,183	-	(702,903)	-	(702,903)
Street lighting	25,374	-	-	(25,374)	-	(25,374)
Solid waste	197,679	-	-	(197,679)	-	(197,679)
<b>Total governmental activities</b>	<b>952,878</b>	<b>344,119</b>	<b>-</b>	<b>(608,759)</b>	<b>-</b>	<b>(608,759)</b>
<b>Business-type activities:</b>						
Water	9,708,234	8,556,149	-	-	(1,152,085)	(1,152,085)
<b>Total business-type activities</b>	<b>9,708,234</b>	<b>8,556,149</b>	<b>-</b>	<b>-</b>	<b>(1,152,085)</b>	<b>(1,152,085)</b>
<b>Total</b>	<b>\$ 10,661,112</b>	<b>8,900,268</b>	<b>-</b>	<b>(608,759)</b>	<b>(1,152,085)</b>	<b>(1,760,844)</b>
<b>General revenues(expense):</b>						
Property taxes				\$ 1,668,208	15,565	1,683,773
Interest expense – long-term debt				-	(389,247)	(389,247)
Interest earnings, net				428,419	736,007	1,164,426
Water pipeline location service charges				-	156,729	156,729
Other non-operating revenues				-	385,143	385,143
Other non-operating expenses				429,990	(57,270)	372,720
<b>Total general revenues, net</b>				<b>2,526,617</b>	<b>846,927</b>	<b>3,373,544</b>
<b>Transfers (to)from other funds</b> (note 9)				<b>(1,170,343)</b>	<b>1,170,343</b>	<b>-</b>
<b>Change in net position</b>				<b>747,515</b>	<b>865,185</b>	<b>1,612,700</b>
<b>Net position, beginning of year</b>				<b>12,345,777</b>	<b>41,174,834</b>	<b>53,520,611</b>
<b>Net position, end of year</b>				<b>\$ 13,093,292</b>	<b>42,040,019</b>	<b>55,133,311</b>

See accompanying notes to the basic financial statements

**Phelan Piñon Hills Community Services District**  
**Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position**  
**June 30, 2023**

	<u>General</u>	<u>Parks and Recreation</u>	<u>Street Lighting</u>	<u>Solid Waste</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>					
Cash and cash equivalents	\$ 1,707,637	2,782,870	13,430	41,502	4,545,439
Investments	1,680,374	2,738,441	13,215	40,839	4,472,869
Accounts receivable – services	41,185	1,040	-	21,324	63,549
Property taxes and assessments receivable	45,279	-	-	-	45,279
Other	-	105	-	-	105
<b>Total assets</b>	<u>\$ 3,474,475</u>	<u>5,522,456</u>	<u>26,645</u>	<u>103,665</u>	<u>9,127,241</u>
<b>Liabilities:</b>					
Accounts payable and accrued expenses	\$ -	16,948	3,381	6,826	27,155
Accrued salaries and related payables	-	1,577	-	1,227	2,804
Customer deposits and unearned revenue	17,501	-	-	-	17,501
<b>Total liabilities</b>	<u>17,501</u>	<u>18,525</u>	<u>3,381</u>	<u>8,053</u>	<u>47,460</u>
<b>Fund balance (note 10):</b>					
Assigned	-	5,503,931	23,264	95,612	5,622,807
Unassigned	3,456,974	-	-	-	3,456,974
<b>Total fund balance</b>	<u>3,456,974</u>	<u>5,503,931</u>	<u>23,264</u>	<u>95,612</u>	<u>9,079,781</u>
<b>Total liabilities and fund balance</b>	<u>\$ 3,474,475</u>	<u>5,522,456</u>	<u>26,645</u>	<u>103,665</u>	<u>9,127,241</u>

**Reconciliation:**

Fund balance of total governmental funds \$ 9,079,781

Amounts reported for governmental funding in the statement of net position is different because:

Certain assets used in governmental funding are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. All assets both current and non-current are reported in the Statement of Net Position as follows:

Leases receivable	234,551
Capital assets	3,958,144

Pension contributions made during the fiscal year after the measurement date are reported as expenditures in governmental funds and as deferred outflows of resources in the government-wide financial statements.	\$ 22,116
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Recognized changes in net assumptions are reported as deferred outflows of resources in the government-wide financial statements.	356
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Recognized portion due to net differences between the expected and actual experience are reported as deferred outflows of resources in the government-wide financial statements.	23
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Recognized portion due to net differences between the actual employer contribution and the proportionate share of contribution are reported as deferred outflows of resources in the government-wide financial statements.	12,362
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Recognized net difference between projected and actual earnings on pension plan investments are reported as deferred outflows of resources in the government-wide financial statements.	635
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Recognized portion due to net differences in proportions are reported as deferred outflows of resources in the government-wide financial statements.	27,215	<u>62,707</u>
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Long-term liabilities applicable to the District are not due and payable in the current period and, accordingly, are not reported as fund liabilities. All liabilities both current and long-term, are reported in the Statement of Net Position as follows:	
Compensated absences	(22,709)
Net pension liability	<u>(3,463)</u>

Recognized portion due to lessor agreements are reported as deferred inflows of resources in the government-wide financial statements.	<u>(215,719)</u>
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Net position of governmental activities \$ 13,093,292

See accompanying notes to the basic financial statements

**Phelan Piñon Hills Community Services District**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of**  
**Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2023**

	<u>General</u>	<u>Parks and Recreation</u>	<u>Street Lighting</u>	<u>Solid Waste</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>					
Property taxes	\$ 893,131	749,704	25,373	-	1,668,208
Charges for services	322,936	21,183	-	-	344,119
Investment earnings	190,461	229,168	849	7,941	428,419
Other	<u>55,973</u>	<u>-</u>	<u>-</u>	<u>374,017</u>	<u>429,990</u>
<b>Total revenues</b>	<u>1,462,501</u>	<u>1,000,055</u>	<u>26,222</u>	<u>381,958</u>	<u>2,870,736</u>
<b>Expenditures:</b>					
General	5,739	-	-	-	5,739
Parks and recreation	-	534,897	-	-	534,897
Street lighting	-	-	25,374	-	25,374
Solid waste	-	-	-	197,679	197,679
Capital outlay	<u>-</u>	<u>118,526</u>	<u>-</u>	<u>-</u>	<u>118,526</u>
<b>Total expenditures</b>	<u>5,739</u>	<u>653,423</u>	<u>25,374</u>	<u>197,679</u>	<u>882,215</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>1,456,762</u>	<u>346,632</u>	<u>848</u>	<u>184,279</u>	<u>1,988,521</u>
<b>Other financing sources(uses) (note 9):</b>					
Transfers in – operational	-	186,500	-	-	186,500
Transfers (out) – operational	<u>(1,170,343)</u>	<u>-</u>	<u>-</u>	<u>(186,500)</u>	<u>(1,356,843)</u>
<b>Total other financing sources(uses)</b>	<u>(1,170,343)</u>	<u>186,500</u>	<u>-</u>	<u>(186,500)</u>	<u>(1,170,343)</u>
<b>Change in fund balance</b>	286,419	533,132	848	(2,221)	818,178
<b>Fund balance, beginning of year</b>	<u>3,170,555</u>	<u>4,970,799</u>	<u>22,416</u>	<u>97,833</u>	<u>8,261,603</u>
<b>Fund balance, end of year</b>	<u>\$ 3,456,974</u>	<u>5,503,931</u>	<u>23,264</u>	<u>95,612</u>	<u>9,079,781</u>

**Reconciliation:**

Net change in fund balance of total governmental funds \$ 818,178

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

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense as follows:

Capital outlay expense	118,526
Depreciation expense	(92,697)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenses in governmental funds as follows:

Net change in compensated absences for the current period	(4,167)
Net change in pension obligations for the current period	<u>(89,220)</u>

Some revenues reported in the statement of activities do not provide current financial resources and therefore are not reported as revenues in governmental funds as follows:

Net change in lease receivables for the current period	<u>(3,105)</u>
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Change in net position of governmental activities \$ 747,515

See accompanying notes to the basic financial statements

**Phelan Piñon Hills Community Services District**  
**Statement of Net Position – Enterprise Fund**  
**June 30, 2023**

	<b>Water Enterprise</b>
<b>Current assets:</b>	
Cash and cash equivalents	\$ 3,158,234
Cash and cash equivalents – restricted	6,136,945
Investments	2,359,137
Accrued interest receivable	302,567
Accounts receivable – water sales and services	941,117
Accounts receivable – other	77,733
Property taxes and assessments receivable	125,631
Materials and supplies inventory	730,983
Prepays and other assets	390,991
	<u>14,223,338</u>
<b>Non-current assets:</b>	
Investments	6,722,142
Capital assets – not being depreciated	20,677,936
Capital assets – being depreciated, net	18,018,681
	<u>45,418,759</u>
<b>Total assets</b>	<u>59,642,097</u>
<b>Deferred outflows of resources:</b>	
Deferred pension outflows	564,368
	<u>564,368</u>
<b>Current liabilities:</b>	
Accounts payable and accrued expenses	1,025,127
Accrued salaries and related payables	143,742
Customer deposits and deferred revenue	101,742
Accrued interest on long-term debt	241,925
Long-term liabilities – due within one year:	
Compensated absences	121,343
Long-term debt	829,573
	<u>2,463,452</u>
<b>Non-current liabilities:</b>	
Long-term liabilities – due in more than one year:	
Compensated absences	121,343
Long-term debt	15,550,459
Net pension liability	31,193
	<u>15,702,995</u>
<b>Total liabilities</b>	<u>18,166,446</u>
<b>Deferred inflows of resources:</b>	
Deferred pension inflows	-
	<u>-</u>
<b>Net position:</b>	
Net investment in capital assets	22,316,585
Unrestricted	19,723,434
	<u>42,040,019</u>
<b>Total net position</b>	<u>\$ 42,040,019</u>

See accompanying notes to the basic financial statements

**Phelan Piñon Hills Community Services District**  
**Statement of Revenues, Expenses and Changes in Fund Net Position – Enterprise Fund**  
**For the Fiscal Year Ended June 30, 2023**

	<b>Water Enterprise</b>
<b>Operating revenues:</b>	
Water consumption sales	\$ 3,739,053
Monthly meter service charge	2,977,434
Chromium-6 surcharge (note 11)	843,638
Special assessment	284,218
Other charges and services	711,806
Total operating revenues	8,556,149
<b>Operating expenses:</b>	
Source of supply – water related purchases	20,972
Pumping – utilities	1,767,883
Pumping – solar credits	(789,568)
Transmission and distribution	1,727,109
General and administrative	5,086,350
Total operating expenses	7,812,746
Operating income before depreciation	743,403
Depreciation	(1,895,488)
Operating loss	(1,152,085)
<b>Non-operating revenues (expenses):</b>	
Property taxes	15,565
Interest expense – long-term debt	(389,247)
Interest earnings, net	736,007
Water pipeline location service charges	156,729
Other non-operating revenues	385,143
Other non-operating expenses	(57,270)
Total non-operating revenues, net	846,927
Net loss before transfers	(305,158)
<b>Transfers from other funds</b>	1,170,343
Change in net position	865,185
<b>Net position, beginning of year</b>	41,174,834
<b>Net position, end of year</b>	\$ 42,040,019

See accompanying notes to the basic financial statements

**Phelan Piñon Hills Community Services District**  
**Statement of Cash Flows – Enterprise Fund**  
**For the Fiscal Year Ended June 30, 2023**

	<u><b>Water Enterprise</b></u>
<b>Cash flows from operating activities:</b>	
Cash receipts from customers	\$ 8,862,248
Cash paid to employees	(2,672,666)
Cash paid to vendors and suppliers	<u>(4,344,321)</u>
Net cash provided by operating activities	<u>1,845,261</u>
<b>Cash flows from non-capital financing activities:</b>	
Proceeds from property taxes	15,206
Transfer of property tax revenue from General fund	1,170,343
Proceeds from water pipeline location service charges	<u>156,729</u>
Net cash provided by non-capital financing activities	<u>1,342,278</u>
<b>Cash flows from capital and related financing activities:</b>	
Acquisition and construction of capital assets	(2,958,212)
Principal payments on long-term debt	5,414,549
Interest payments on long-term debt	<u>870,247</u>
Net cash provided by capital and financing activities	<u>3,326,584</u>
<b>Cash flows from investing activities:</b>	
Purchases and sales of investments, net	(9,081,279)
Interest earnings	<u>(653,100)</u>
Net cash used in investing activities	<u>(9,734,379)</u>
<b>Net decrease in cash and cash equivalents</b>	<u>(3,220,256)</u>
<b>Cash and investments, beginning of year</b>	<u>12,515,435</u>
<b>Cash and investments, end of year</b>	<u><u>\$ 9,295,179</u></u>
<b>Reconciliation of cash and cash equivalents to the statement of financial position:</b>	
Cash and cash equivalents	\$ 3,158,234
Cash and cash equivalents – restricted	<u>6,136,945</u>
<b>Total cash and cash equivalents</b>	<u><u>\$ 9,295,179</u></u>

Continued on next page

See accompanying notes to the basic financial statements

**Phelan Piñon Hills Community Services District**  
**Statement of Cash Flows – Enterprise Fund, continued**  
**For the Fiscal Year Ended June 30, 2023**

	<u>Water Enterprise</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
<b>Operating income</b>	\$ <u>(1,152,085)</u>
<b>Adjustments to reconcile operating income to net cash provided by operating activities:</b>	
Depreciation expense	1,895,488
Other non-operating revenues	385,143
Other non-operating expenses	(57,270)
<b>Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources</b>	
(Increase) decrease in assets and deferred outflows:	
Accounts receivable – water sales and services	(52,672)
Accounts receivable – other	(31,030)
Materials and supplies inventory	(418,605)
Prepays and other assets	(56,832)
Deferred outflows of resources	340,943
Increase (decrease) in liabilities and deferred inflows:	
Accounts payable and accrued expenses	467,783
Accrued salaries and related payables	15,874
Customer deposits and deferred revenue	4,658
Compensated absences	41,829
Net pension liability	516,454
Deferred inflows of resources	<u>(54,417)</u>
<b>Total adjustments</b>	<u>2,997,346</u>
<b>Net cash provided by operating activities</b>	\$ <u><u>1,845,261</u></u>
<b>Non-cash investing, capital and financing transactions:</b>	
Change in fair value of investments	\$ <u><u>150,898</u></u>

See accompanying notes to the basic financial statements

**Phelan Piñon Hills Community Services District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2023**

**(1) Reporting Entity and Summary of Significant Accounting Policies**

**A. Organization and Operations of the Reporting Entity**

The Phelan Piñon Hills Community Service District (District) was established through an election on February 5, 2008. With an 81% approval rating, the voters approved the formation of the District as a consolidation of three San Bernardino County Special District Service Areas of: Zone-L70 Water, CSA-9 Phelan Parks and Street Lighting, and CSA56-F1 Piñon Hills Parks. The San Bernardino County Special District Service Areas named above transferred \$31,439,131 in net assets to form the District.

This consolidation enabled the communities of Phelan and Piñon Hills to establish a form of self-governance while maintaining their individual rural integrity. The 128 square mile District is the largest Community Service District in San Bernardino County.

The primary component of the District is water service to over 7,100 connections. Parks and recreation are a vital component to any community. As part of the District there are two community centers. These centers are utilized for a wide range of activities and are available to the community for a nominal fee. Adjacent to the centers are two parks that have picnic tables, playgrounds, and two basketball courts. They are available from morning until dusk. The street lights serve primarily the business district of the District. The street lights are not owned by the District, but the District pays for the electricity use costs for the street lights.

The District normally conducts two monthly general meetings of the Board of Directors which are held on the first and third Wednesdays of the month in the Phelan Community Center.

**B. Basis of Accounting and Measurement Focus**

***Government-wide Financial Statements***

These statements are presented on an *economic resources* measurement focus and the accrual basis of accounting for both governmental and business-like activities. Accordingly, all of the District's assets (including capital assets), deferred outflows of resources, liabilities, and deferred inflows of resources are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, such as, unbilled but utilized utility services are recorded at year end. The Statement of Activities demonstrates the degree to which the operating expenses of a given function are offset by operating revenues. Operating expenses are those that are clearly identifiable with a specific function. The types of transactions reported as operating revenues for the District are charges for services directly related to the operations of the District. Charges for services include revenues from customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by the District. Taxes, operating grants, and other items not properly included among operating revenues are reported instead as non-operating revenues. Contributed capital and capital grants are included as capital contributions.

***Fund Financial Statements***

These statements include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balance for all major governmental funds. Accompanying these statements is a schedule to reconcile and explain the differences in fund balances as presented in these statements to the net position presented in the Government-wide Financial Statements.

Governmental funds are accounted for on a spending or *current financial resources* measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balance presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under modified accrual basis of accounting, revenues are recognized in the accounting period in which they become measurable and available to finance expenditures of the current period.

**Phelan Piñon Hills Community Services District**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Year Ended June 30, 2023**

**(1) Reporting Entity and Summary of Significant Accounting Policies, continued**

**B. Basis of Accounting and Measurement Focus, continued**

*Fund Financial Statements, continued*

Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60-days after year-end) are recognized when due. The primary sources susceptible to accrual for the District are property tax, interest earnings, investment revenue, and operating and capital grant revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. However, exceptions to this rule include principal and interest on debt, which are recognized when due.

The accrual basis of accounting is followed by the proprietary enterprise funds. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, such as unbilled but utilized utility services recorded at year end.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred, regardless of when the related cash flows take place. Operating revenues and expenses, such as water sales and purchases of water, result from exchange transactions associated with the principal activity of the District. Exchange transactions are those in which each party receives and gives up essentially equal values. Management, administration and depreciation expenses are also considered operating expenses. Other revenues and expenses not included in the above categories, such as interest income and interest expense, are reported as non-operating revenues and expenses.

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity with a self-balancing set of accounts established for the purpose of carrying out specific activities or attaining certain objectives in accordance with specific regulations, restrictions, or limitations.

Funds are organized into two major categories: governmental and proprietary categories. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- a) Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental fund or proprietary fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b) Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or proprietary fund are at least 5 percent of the corresponding total for all governmental and proprietary funds combined.
- c) The entity has determined that a fund is important to the financial statement user.

The funds of the financial reporting entity are described below:

***Governmental Funds***

**General Fund** – This fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund’s primary source of revenue is property taxes.

**Parks and Recreation** – This fund is used to account for all parks and recreation activities within the District. The parks and recreation fund’s primary source of revenue is property taxes.

**Street Lighting** – This fund is used to account for all street lighting activities within the District. The street lighting fund’s primary source of revenue is property taxes.

**Solid Waste** – This fund is used to account for sanitation collection and recycling activities within the District. The solid waste fund’s primary source of revenue is franchise fees.

**Phelan Piñon Hills Community Services District**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Year Ended June 30, 2023**

**(1) Reporting Entity and Summary of Significant Accounting Policies, continued**

**B. Basis of Accounting and Measurement Focus, continued**

*Enterprise Fund*

**Water** – This fund accounts for the water transmission and distribution operations of the District. The water fund’s primary source of revenue is consumption sales, meter service charges, and other charges and services.

**C. Financial Reporting**

The District’s basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The District has adopted the following GASB pronouncements in the current year:

*Governmental Accounting Standards Board Statement No. 91*

In May 2019, the GASB issued Statement No. 91 – *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers’ conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

The requirements of this Statement were effective for reporting periods beginning after December 15, 2020; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged.

**Phelan Piñon Hills Community Services District**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Year Ended June 30, 2023**

**(1) Reporting Entity and Summary of Significant Accounting Policies, continued**

**C. Financial Reporting, continued**

*Governmental Accounting Standards Board Statement No. 93*

In March 2020, the GASB issued Statement No. 93 – *Replacement of Interbank Offered Rates*. The objective of this Statement is to address accounting and financial reporting implications that result from the replacement of an IBOR. This Statement achieves that objective by: (1) Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument’s variable payment; (2) Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate; (3) Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable; (4) Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap; (5) Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap; (6) Clarifying the definition of reference rate, as it is used in Statement 53, as amended; and (7) Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

The requirements of this Statement were effective as follows: (1) The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021; and (2) All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020; however, in light of the COVID-19 pandemic, the effective dates have been postponed by one year. Earlier application is encouraged.

*Governmental Accounting Standards Board Statement No. 94*

In March 2020, the GASB issued Statement No. 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

**Phelan Piñon Hills Community Services District**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Year Ended June 30, 2023**

**(1) Reporting Entity and Summary of Significant Accounting Policies, continued**

**C. Financial Reporting, continued**

*Governmental Accounting Standards Board Statement No. 96*

In May 2020, the GASB issued Statement No. 96 – *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

*Governmental Accounting Standards Board Statement No. 97*

In June 2020, the GASB issued Statement No. 97 – *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 41 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement. The Board considered the effective dates for the requirements of this Statement in light of the COVID-19 pandemic and in concert with Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance.

**Phelan Piñon Hills Community Services District**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Year Ended June 30, 2023**

**(1) Reporting Entity and Summary of Significant Accounting Policies, continued**

**D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position**

**1. Use of Estimates**

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosures of contingent assets, deferred outflows of resources, liabilities, and deferred inflows of resources at the date of the financial statements and the reported changes in District net position during the reporting period. Actual results could differ from those estimates.

**2. Cash and Cash Equivalents**

Substantially all of the District's cash is invested in interest bearing accounts. The District considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents.

For purposes of the statement of cash flows, cash and cash equivalents have been defined as demand deposits, money market mutual funds, and external cash management pools (local agency investment fund).

**3. Investments and Investment Policy**

The District has adopted an investment policy directing the Assistant General Manager to deposit and invest funds in financial institutions in accordance with California Government Code section 53600. The investment policy applies to all financial assets and investment activities of the District.

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.

**4. Fair Value Measurements**

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles.

The hierarchy is based on valuation inputs used to measure the fair value of the asset, as follows:

- **Level 1** – Valuation is based on quoted prices in active markets for identical assets.
- **Level 2** – Valuation is based on directly observable and indirectly observable inputs. These inputs are derived principally from or corroborated by observable market data through correlation or market-corroborated inputs. The concept of market-corroborated inputs incorporates observable market data such as interest rates and yield curves that are observable at commonly quoted intervals.
- **Level 3** – Valuation is based on unobservable inputs where assumptions are made based on factors such as prepayment rates, probability of defaults, loss severity and other assumptions that are internally generated and cannot be observed in the market.

**5. Restricted Assets**

Restricted assets are financial resources generated for a specific purpose such as capital projects or debt service. These assets are for the benefit of a specified purpose and, as such, are legally or contractually restricted by an external third-party agreement.

**Phelan Piñon Hills Community Services District**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Year Ended June 30, 2023**

**(1) Reporting Entity and Summary of Significant Accounting Policies, continued**

**D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position, continued**

**6. Accounts Receivable – Water Sales and Services**

The District extends credit to customers in the normal course of operations. Management views all accounts receivable as collectible.

**7. Property Taxes and Assessments**

The San Bernardino County Assessor’s Office assesses all real and personal property within the County each year. The San Bernardino County Tax Collector’s Office bills and collects the District’s share of property taxes and/or tax assessments. The San Bernardino County Treasurer’s Office remits current and delinquent property tax collections to the District throughout the year. Property tax in California is levied in accordance with Article 13A of the State Constitution at one percent (1%) of countywide assessed valuations.

Property taxes and assessments receivable at year-end are related to property taxes and special assessments collected by the San Bernardino County, which have not been credited to the District’s cash balance as of June 30. The property tax calendar is as follows:

Lien date	March 1
Levy date	July 1
Due dates	November 1 and February 1
Collection dates	December 10 and April 10

**8. Materials and Supplies Inventory**

Materials and supplies inventory consists primarily of water meters, pipe, and pipe fittings for construction and repair to the District’s water transmission and distribution system. Inventory is valued at cost using a weighted average method. Inventory items are charged to expense at the time that individual items are withdrawn from inventory or consumed.

**9. Prepaids**

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

**10. Capital Assets**

Capital assets acquired and/or constructed are capitalized at historical cost. District policy has set the capitalization threshold for reporting capital assets at \$5,000. Donated assets are recorded at acquisition value at the date of donation and/or historical cost. 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.

Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

***Governmental Activities***

- Infrastructure, street lighting – 30 to 40 years
- Vehicles and equipment – 5 to 10 years

***Business-Type Activities***

- Facility and systems – 10 to 40 years
- Vehicles and equipment – 5 to 10 years

**Phelan Piñon Hills Community Services District**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Year Ended June 30, 2023**

**(1) Reporting Entity and Summary of Significant Accounting Policies, continued**

**D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position, continued**

**11. Deferred Outflows of Resources**

The statement of net 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 assets applicable to future periods and, therefore, will *not* be recognized as an outflow of resources (expenditure) until that time. The District has the following pension related items that qualify for reporting in this category:

- Deferred outflow which is equal to the employer contributions made after the measurement date of the net pension asset. This amount will be amortized-in-full against the net pension asset in the next fiscal year.
- Deferred outflow for the net difference between the actual and expected experience which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plan.
- Deferred outflow for the net change in assumptions which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plan.
- Deferred outflow for the net difference in projected and actual earnings on investments of the pension plan fiduciary net position. This amount is amortized over a 5 year period.
- Deferred outflow for the net difference in actual and proportionate share of employer contribution, which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plan.
- Deferred outflow for the net adjustment due to differences in the changes in proportions of the net pension liability which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plan.

**12. Compensated Absences**

Accrued Vacation – For each full time, (30 hours per week) employee, vacation days shall be earned per biweekly pay period. From year 1 through 4 years of employment, 80 vacation hours are earned, from year 5 through year 9, 120 vacation hours are earned, from year 10 through year 20, 160 vacation hours are earned, and after 20 years, 200 vacation hours are earned.

Part-time regular employees shall earn vacation prorated on actual hours worked. Exempt positions will, at the time of hire, begin at two (2) weeks per year. Vacation time may be accumulated up to a maximum of 160 hours (4 weeks). An employee may, at the discretion of the District, receive pay on their anniversary date for a maximum of forty (40) hours of his or her earned vacation instead of taking time off. New employees will not be authorized vacation time off until completion of one (1) year of continuous employment. If employment is terminated for any reason, the earned vacation will be paid through the last day of employment.

Accrued Sick Leave – Beginning with the date of employment, sick leave (at 3.69 hours per pay period) shall be credited to the employee. The biweekly pay record will reflect the current sick leave accumulation for each employee. Sick leave is not considered to be vacation and is to be used only during illness or injury. If sick leave is used up due to illness or injury, vacation can be used. An employee with no sick leave or vacation credit shall not receive compensation for days not worked due to illness or injury. Abuse of sick leave is grounds for discipline, up to and including dismissal.

**Phelan Piñon Hills Community Services District**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Year Ended June 30, 2023**

**(1) Reporting Entity and Summary of Significant Accounting Policies, continued**

**D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position, continued**

**12. Compensated Absences, continued**

Sick leave may be accumulated up to a maximum of 120 hours. After 120 hours are accumulated, an employee will receive, in December, 100% of the value of the unused sick leave, which exceeds the 120 hours maximum. At the end of each year's employment (anniversary date), 10% of the total accumulated sick leave shall vest in and become the property of the employee subject only to the employee's leaving the District under any condition other than discharge for cause. Upon retirement or resignation from the District, the employee shall be paid 10% for each year of service of the accumulated sick leave.

**13. Pensions**

For purposes of measuring the net pension asset and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) plans (Plans) and addition to/deduction from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

- Valuation Date: June 30, 2021
- Measurement Date: June 30, 2022
- Measurement Period: July 1, 2021 to June 30, 2022

**14. Deferred Inflows of Resources**

The statement of net position will sometimes report a separate section for deferred inflows of resources. This financial statement element, *deferred inflows of resources*, represents an acquisition of net assets applicable to future periods and, therefore, will *not* be recognized as an inflow of resources (revenue) until that time. The District does not have any pension related items that qualify for reporting in this category.

**15. Net Position**

The government-wide financial statements utilize a net position presentation. Net position categories are as follows:

- **Net Investment in Capital Assets** – This component of net position consists of capital assets, net of accumulated depreciation and amortization, and reduced by outstanding balances of any debt, or other long-term borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- **Restricted** – This component of net position consists of constraints placed on net position use imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted** – This component of net position consists of net position that does not meet the definition of net investment in capital assets or restricted components of net position.

**Phelan Piñon Hills Community Services District**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Year Ended June 30, 2023**

**(1) Reporting Entity and Summary of Significant Accounting Policies, continued**

**D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position, continued**

**16. Fund Balance**

The financial statements, governmental funds report fund balance as non-spendable, restricted, committed, assigned, or unassigned based primarily on the extent to which the District is bound to honor constraints on how specific amounts can be spent.

- **Nonspendable fund balance** – amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact.
- **Restricted fund balance** – amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions enabling legislation.
- **Committed fund balance** – amounts that can only be used for specific purposes determined by formal action of the District’s highest level of decision-making authority (the Board of Directors) and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.
- **Assigned fund balance** – amounts that are constrained by the District’s intent to be used for specific purposes. The intent can be established at either the highest level of decision-making, or by a body or an official designated for that purpose.
- **Unassigned fund balance** – the residual classification for the District’s general fund that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

The Board of Directors established, modifies, or rescinds fund balance commitments and assignments by passage of an ordinance or resolution. The District considers an ordinance and a resolution as equally binding. This is done through adoption of the budget and subsequent budget amendments that occur throughout the year.

When both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first, followed by the unrestricted, committed, assigned, and unassigned resources as they are needed.

***Fund Balance Policy***

The District believes that sound financial management principles require that sufficient funds be retained by the District to provide a stable financial base at all times. To retain this stable financial base, the District needs to maintain an unrestricted fund balance in its funds sufficient to fund cash flows of the District and to provide financial reserves for unanticipated expenditures and/or revenue shortfalls of an emergency nature. Committed, assigned, and unassigned fund balances are considered unrestricted.

The purpose of the District’s fund balance policy is to maintain a prudent level of financial resources to protect against reducing service levels or raising taxes and fees because of temporary revenue shortfalls or unpredicted one-time expenditures.

**17. Water Sales and Services**

Water sales are billed on a monthly basis. Estimated unbilled water revenue through June 30 has been accrued at year-end for the enterprise funds.

**Phelan Piñon Hills Community Services District**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Year Ended June 30, 2023**

**(1) Reporting Entity and Summary of Significant Accounting Policies, continued**

**D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position, continued**

**18. Capital Contributions**

Capital contributions represent cash and capital asset additions contributed to the District by property owners, granting agencies, or real estate developers desiring services that require capital connection expenditures or capacity commitment.

**19. Reclassification**

The District has reclassified certain prior year information to conform to current year presentations.

**(2) Cash and Cash Equivalents**

Cash and cash equivalents as of June 30 are classified as follows:

	<b>2023</b>		
	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
<b>Governmental activity funds:</b>			
Cash and cash equivalents			
General fund	\$ 1,707,637	-	\$ 1,707,637
Parks and recreation fund	2,782,870	-	2,782,870
Street lighting fund	13,430	-	13,430
Solid waste fund	41,502	-	41,502
<b>Total cash and cash equivalents</b>	<u>4,545,439</u>	<u>-</u>	<u>4,545,439</u>
Investments			
General fund	1,680,374	-	1,680,374
Parks and recreation fund	2,738,441	-	2,738,441
Street lighting fund	13,215	-	13,215
Solid waste fund	40,839	-	40,839
Total investments	<u>4,472,869</u>	<u>-</u>	<u>4,472,869</u>
Total governmental activity funds:	<u>9,018,308</u>	<u>-</u>	<u>9,018,308</u>
<b>Business-type activity funds:</b>			
Cash and cash equivalents			
Water fund	<u>3,158,234</u>	<u>6,136,945</u>	<u>9,295,179</u>
Investments			
Water fund	<u>9,081,279</u>	<u>-</u>	<u>9,081,279</u>
<b>Total business-type activity funds:</b>	<u>12,239,513</u>	<u>6,136,945</u>	<u>18,376,458</u>
<b>Total cash, cash equivalents,     and investments</b>	<u>\$ 21,257,821</u>	<u>6,136,945</u>	<u>\$ 27,394,766</u>

**Phelan Piñon Hills Community Services District**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Year Ended June 30, 2023**

**(2) Cash and Cash Equivalents, continued**

Cash and cash equivalents as of June 30 consisted of the following:

	2023		
	Unrestricted	Restricted	Total
Cash on hand	\$ 2,000	-	\$ 2,000
Deposits held with financial institutions	805,436	2,502	807,938
Deposits held with San Bernardino County Treasurer	5,171	-	5,171
California Local Agency Investment Fund	39,670	-	39,670
California Cooperative Liquid Assets Securities System	6,851,396	6,134,443	12,985,839
Investments	13,554,148	-	13,554,148
Total	\$ 21,257,821	6,136,945	\$ 27,394,766

***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 trustees 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.

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage Of Portfolio *	Maximum Investment in One Issuer
State and Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years**	None	None
U.S. Agency Securities	5 years**	None	None
Banker's Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Non-negotiable Certificates of Deposit	1 year	30%	None
Negotiable Certificates of Deposit	5 years	30%	None
Medium-Term Notes	5 years	30%	None
Repurchase agreements	1 year	20%	None
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
Supranational Obligations	N/A	30%	None
County Pooled Investment Funds	N/A	None	None
California Local Agency Investment Fund (LAIF)	N/A	None	None

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

\*\* Except when authorized by the District's legislative body in accordance with Government Code Section 53601

N/A – Not Applicable

**Phelan Piñon Hills Community Services District**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Year Ended June 30, 2023**

**(2) Cash and Cash Equivalents, continued**

***Investment in the California State Investment Pool***

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the 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 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. Amounts held with LAIF are highly liquid, as deposits can be converted to cash within a twenty-four-hour period without loss of accrued interest. LAIF detail may be obtained from the State of California Treasurer's website at [www.treasurer.ca.gov/pmia-laif/index.asp](http://www.treasurer.ca.gov/pmia-laif/index.asp).

The pool portfolio is invested in a manner that meets the maturity, quality, diversification and liquidity requirements set forth by GASB 79 for external investment pools that elect to measure, for financial reporting purposes, investments at amortized cost. LAIF does not have any legally binding guarantees of share values. LAIF does not impose liquidity fees or redemption gates on participant withdrawals.

***Investment in the California Cooperative Liquid Assets Securities System***

The District is a participant in the California Cooperative Liquid Assets Securities System (CLASS). California CLASS is a Joint Powers Authority investment pool that provides public agencies the opportunity to invest funds on a cooperative basis in rated pools that are managed in accordance with state law with the primary objectives of offering Participants safety, daily and next-day liquidity, and optimized returns.

California CLASS is managed as stable value NAV pool but does not meet all of the specific criteria outlined in GASB 79 Paragraph 4, therefore California CLASS Participants should report their investments in the pool at fair value.

***Custodial Credit Risk***

The custodial credit risk for *deposits* is the risk that, in the event of 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 California Government Code and the District's investment policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, 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 depository regulated under state law (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. Of the District's bank balances, up to \$250,000 is federally insured and the remaining balance is collateralized in accordance with the code.

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 depository regulated under state law (unless so waived by the governmental unit), and, the District's investment policy that requires no more than two-thirds of the District's deposits in a depository shall be collateralized by mortgage-backed securities, with the remainder to be secured by non-mortgage-backed securities.

**Phelan Piñon Hills Community Services District**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Year Ended June 30, 2023**

**(2) Cash and Cash Equivalents, continued**

***Custodial Credit Risk, continued***

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 District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. Of the District’s bank balances, up to \$250,000 is federally insured and the remaining balance is collateralized in accordance with the Code; however, the collateralized securities are not held in the District’s name.

***Interest Rate Risk***

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio matures, or comes close to maturity evenly over time, as necessary to provide requirements for cash flow and liquidity needed for operations.

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 District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. Of the bank balances, up to \$250,000 is federally insured and the remaining balance is collateralized in accordance with the Code; however, the collateralized securities are not held in the District’s name.

Information about the sensitivity of the fair values of the District’s investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District’s investments by maturity date:

Investment maturities as of June 30, 2023, were as follows:

<u>Investment Type</u>	<u>Amount</u>	<u>Remaining Maturity (in Months)</u>			
		<u>12 Months Or Less</u>	<u>13 to 24 Months</u>	<u>25 to 60 Months</u>	<u>Thereafter</u>
Certificates-of-deposit	\$ 12,571,330	3,521,100	6,276,143	1,521,703	1,252,384
United States Treasury notes	982,818	-	-	982,818	-
Total	<u>13,554,148</u>	<u>3,521,100</u>	<u>6,276,143</u>	<u>2,504,521</u>	<u>1,252,384</u>

***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.

Per the District’s investment policy, credit risk is mitigated by investing in safe securities, and diversifying the investment portfolio so the failure of one issuer would not materially affect the District’s cash flow. Presented below is the minimum rating required by (where applicable) the California Government Code, the District’s investment policy, or debt agreements, and the actual rating as of year-end for each investment type.

**Phelan Piñon Hills Community Services District**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Year Ended June 30, 2023**

**(2) Cash and Cash Equivalents, continued**

Credit ratings of investments as of June 30, 2023, were as follows:

<u>Investment Type</u>	<u>Amount</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>Ratings AA+ to AA-</u>
Certificates-of-deposit	\$ 12,571,330	N/A	12,571,330	-
United States Treasury notes	982,818	AA+	-	982,818
Total	<u>13,554,148</u>	<u>-</u>	<u>12,571,330</u>	<u>982,818</u>

***Concentration of Credit Risk***

The District's investment policy contains various limitations on the amounts that can be invested in any one governmental agency or non-governmental issuer as stipulated by the California Government Code.

Instruments in any one issuer that represent 5% or more of the District's investments as of June 30, 2023 are as follows (excluding external investment pools and debt explicitly guaranteed by the U.S. government):

<u>Deposit &amp; Investment</u>	<u>Issuer Type</u>	<u>Fair Value Holdings</u>	<u>Percentage Holdings</u>
California Cooperative Liquid Assets Securities System	Joint Powers Authority investment pool	\$ 12,985,839	48.86%
Desert Community Bank	Certificates-of-deposit	11,555,917	43.48%

***Fair Value Measurements***

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Investments measured at fair value on a recurring and non-recurring basis, are as follows:

<u>Investment Type</u>	<u>Amount</u>	<u>Fair Value Measurements Using</u>		
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Certificates-of-deposit	\$ 12,571,330	-	12,571,330	-
United States Treasury notes	982,818	982,818	-	-
Total investments measured at fair value	<u>13,554,148</u>	<u>982,818</u>	<u>12,571,330</u>	<u>-</u>
Investments measured at amortized cost:				
California Local Agency Investment Fund	39,670			
California Cooperative Liquid Assets Securities System	<u>12,985,839</u>			
Total investments measured at amortized cost	<u>13,025,509</u>			
Total	<u>\$ 26,579,657</u>			

**Phelan Piñon Hills Community Services District**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Year Ended June 30, 2023**

**(3) Leases Receivable**

**Governmental Activities:**

Changes in leases receivable at June 30 were as follows:

	<u>Balance</u> <u>2022</u>	<u>Additions</u>	<u>Principal</u> <u>Payments</u>	<u>Balance</u> <u>2023</u>	<u>Deferred</u> <u>Inflows</u>
C & G Partners	\$ 297,590	-	(118,252)	\$ 179,338	\$ (164,928)
Circle Green	103,168	-	(47,955)	55,213	(50,686)
Total leases receivable	400,758	-	(166,207)	234,551	\$ (215,614)
Less: current portion	(176,066)			(176,066)	
Total non-current portion \$	<u>224,692</u>			<u>\$ 58,485</u>	

**C & G Partners**

On November 7, 2018, the District entered into a lease agreement with C & G Partners LLC (C&G), whereby C&G has agreed to pay the District for approximately 106 acres of real property known as “Home Field” and approximately 160 acres of real property known as “George’s Field” for the purpose of developing the property to operate various types of emerging green technologies, including; composting, food waste digestion, organic farming, and possibly green power generation. The terms of the agreement require C&G to pay the District in monthly installments through November 2024. Monthly installments are adjusted annually at 3.00% following the anniversary of the lease commencement date

Following the guidelines of *GASB Statement No. 87*, the District recorded a lease receivable and a deferred inflow at present value using a discount rate of 2.70%. The deferred lease inflow is amortized on a straight-line basis over the term of the lease. As of June 30, 2023, deferred lease inflows were reported at \$164,928.

Future payments to be received and deferred inflows as of June 30, 2023, are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Deferred</u> <u>Inflows</u>
2024	\$ 125,277	3,311	128,588	\$ (116,420)
2025	54,061	367	54,428	(48,508)
Totals	179,338	3,678	183,016	\$ (164,928)
Less: current portion	(125,277)			
Total non-current \$	<u>54,061</u>			

**Circle Green**

On July 18, 2018, the District entered into a lease agreement with Circle Green Inc. (Circle Green), whereby Circle Green has agreed to pay the District for approximately 157 acres of real property at 17900 Sheep Creek Road for the purpose of site management, composting, and other related activities. The terms of the agreement require Circle Green to pay the District in monthly installments through July 2024. Monthly installments are adjusted annually at 3.00% following the anniversary of the lease commencement date.

**Phelan Piñon Hills Community Services District**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Year Ended June 30, 2023**

**(3) Leases Receivable, continued**

*Circle Green, continued*

Following the guidelines of *GASB Statement No. 87*, the District recorded a lease receivable and a deferred inflow at present value using a discount rate of 2.70%. The deferred lease inflow is amortized on a straight-line basis over the term of the lease. As of June 30, 2023, deferred lease inflows were reported at \$50,686.

Future payments to be received and deferred inflows as of June 30, 2023, are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Deferred Inflows</u>
2024	\$ 50,789	865	51,654	\$ (46,787)
2025	4,424	10	4,434	(3,899)
Totals	55,213	875	56,088	\$ (50,686)
Less: current portion	(50,789)			
Total non-current	\$ 4,424			

**(4) Capital Assets**

*Governmental Activities:*

Changes in capital assets at June 30 were as follows:

	<u>Balance 2022</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance 2023</u>
Non-depreciable assets:				
Land	\$ 2,947,622	-	-	2,947,622
Construction in progress	422,919	118,526	-	541,445
Total non-depreciable assets	3,370,541	118,526	-	3,489,067
Depreciable assets:				
Building	540,000	-	-	540,000
Land improvements	1,401,575	-	-	1,401,575
Wells	24,840	-	-	24,840
Planning and development	119,240	-	-	119,240
Equipment	55,074	-	-	55,074
Total depreciable assets	2,140,729	-	-	2,140,729
Accumulated depreciation:				
Building	(486,351)	(5,150)	-	(491,501)
Land improvements	(966,406)	(73,373)	-	(1,039,779)
Wells	(24,840)	-	-	(24,840)
Planning and development	(85,335)	(5,086)	-	(90,421)
Equipment	(16,023)	(9,088)	-	(25,111)
Total accumulated depreciation	(1,578,955)	(92,697)	-	(1,671,652)
Total depreciable assets, net	561,774	(92,697)	-	469,077
Total capital assets, net	\$ 3,932,315	25,829	-	3,958,144

Major governmental fund capital asset additions during fiscal year 2023, include additions to construction in progress of \$18,526 that is comprised of Phelan park expansion capital project additions: There were no additions to depreciable assets. There were no disposals during the fiscal year.

**Phelan Piñon Hills Community Services District**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Year Ended June 30, 2023**

**(4) Capital Assets, continued**

***Business-type Activities:***

Changes in capital assets at June 30, were as follows:

	<u>Balance 2022</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance 2023</u>
Non-depreciable assets:				
Land	\$ 1,755,276	25,000	-	1,780,276
Water rights	16,371,783	-	-	16,371,783
Construction in progress	639,888	2,710,088	(824,099)	2,525,877
Total non-depreciable assets	<u>18,766,947</u>	<u>2,735,088</u>	<u>(824,099)</u>	<u>20,677,936</u>
Depreciable assets:				
Building	6,286,664	-	-	6,286,664
Transmission and distribution mains	18,570,562	73,588	-	18,644,150
Reservoirs	4,187,496	-	-	4,187,496
Pumping Station	4,114,808	-	-	4,114,808
Wells	5,923,429	-	-	5,923,429
Tanks	2,281,723	-	-	2,281,723
Hydrants and telemetry control	191,670	-	-	191,670
Meters	2,084,687	750,512	(576,343)	2,258,856
Planning and development	3,850,515	-	-	3,850,515
Vehicles and equipment	2,858,878	223,123	(60,884)	3,021,117
Total depreciable assets	<u>50,350,432</u>	<u>1,047,223</u>	<u>(637,227)</u>	<u>50,760,428</u>
Accumulated depreciation:				
Building	(321,896)	(38,330)	-	(360,226)
Transmission and distribution mains	(13,975,152)	(352,761)	-	(14,327,913)
Reservoirs	(3,368,421)	(154,322)	-	(3,522,743)
Pumping Station	(3,338,224)	(94,732)	-	(3,432,956)
Wells	(2,465,677)	(193,433)	-	(2,659,110)
Tanks	(881,914)	(67,313)	-	(949,227)
Hydrants and telemetry control	(191,670)	-	-	(191,670)
Meters	(1,200,703)	(68,466)	576,343	(692,826)
Planning and development	(2,341,329)	(453,649)	-	(2,794,978)
Vehicles and equipment	(3,398,500)	(472,482)	60,884	(3,810,098)
Total accumulated depreciation	<u>(31,483,486)</u>	<u>(1,895,488)</u>	<u>637,227</u>	<u>(32,741,747)</u>
Total depreciable assets, net	<u>18,866,946</u>	<u>(848,265)</u>	<u>-</u>	<u>18,018,681</u>
Total capital assets, net	<u>\$ 37,633,893</u>	<u>1,886,823</u>	<u>(824,099)</u>	<u>38,696,617</u>

Major enterprise fund capital asset additions during fiscal year 2023, include additions to land of \$25,000 and construction in progress of \$2,710,088 that is comprised of the following capital project additions: Well 15 development of \$1,688,996, meters & installation of \$596,188, project 3A grant of \$154,863, administrative property additions of \$124,235, and various miscellaneous projects totaling \$145,806. Additions to depreciable assets sourcing from construction-in-progress include \$73,588 added to transmission and distribution mains, \$750,512 added to meters, and \$223,123 added to vehicles and equipment. Disposals included a meter replacement and partial disposal of \$576,343 and two vehicle dispositions of \$60,884.

**Phelan Piñon Hills Community Services District**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Year Ended June 30, 2023**

**(4) Capital Assets, continued**

Depreciation expense was charged to various functions for the year ended June 30 as follows:

	<b>2023</b>
Governmental activities:	
General government	\$ 5,150
Parks and Recreation	87,547
Total governmental activities	92,697
Business type activities:	
Water Fund	1,895,488
Total business-type activities	1,895,488
Total depreciation expense	\$ 1,988,185

**(5) Compensated Absences**

Compensated absences comprise unpaid vacation leave that accrue when benefits are fully vested and are determined annually. Compensated absences for governmental funds will generally be liquidated through the general fund. The balance in the proprietary fund will be liquidated through the water fund.

The change to compensated absence balances at June 30 were as follows:

*Governmental:*

	<b>Balance 2022</b>	<b>Earned</b>	<b>Taken</b>	<b>Balance 2023</b>	<b>Due Within One Year</b>	<b>Due in more than one year</b>
\$	18,542	25,460	(21,293)	22,709	11,355	11,354

*Enterprise:*

	<b>Balance 2022</b>	<b>Earned</b>	<b>Taken</b>	<b>Balance 2023</b>	<b>Due Within One Year</b>	<b>Due in more than one year</b>
\$	200,856	318,702	(276,873)	242,685	121,343	121,343

**(6) Long-term Debt**

Changes in long-term debt at June 30 were as follows:

	<b>Balance 2022</b>	<b>Additions</b>	<b>Payments</b>	<b>Balance 2023</b>
State Dept of Transportation – 22784-0(\$	58,865	-	(26,013)	32,852
CIEDB – 14-101	5,756,716	-	(216,546)	5,540,170
MFC – 21-002	5,149,902	-	(382,892)	4,767,010
MFC – Civic Center Site Lease	-	6,040,000	-	6,040,000
Total loan payable	10,965,483	6,040,000	(625,451)	16,380,032
Less: current portion	(625,451)			(829,573)
Total non-current portion	\$ 10,340,032			15,550,459

**Phelan Piñon Hills Community Services District**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Year Ended June 30, 2023**

**(6) Long-term Debt, continued**

***State Department of Transportation – 22784-00 Utility Agreement***

In 2014, the State of California (State), acting by and through the Department of Transportation, proposed a project to widen roads to 4 lanes from SR-18 to I-15 and construct a 14ft wide Median Buffer that affected a portion of the District’s facilities. Thus, the District was ordered by the State to relocate identified facilities to avoid conflict with the State’s widening project to accommodate the State’s project. Total estimated costs of the State project amounted to \$710,829.

The State agreed to advance the District the sum of \$252,633, in accordance with Section 706 of the Streets and Highways Code, to cover the District’s portion of the cost of the work to be undertaken by the State. The interest rate shall be the rate of earnings of the Surplus Money Investment Fund and computation shall be in accordance with Section 1268.350 of the Code of Civil Procedure. The current annual interest rate for the amount advanced of \$252,633 is 0.912%. The term of the agreement is ten years from October 2014. Principal and interest payments are due quarterly during the year at January 1<sup>st</sup>, April 1<sup>st</sup>, July 1<sup>st</sup>, and October 1<sup>st</sup>.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 26,252	210	26,462
2025	6,600	15	6,615
Totals	32,852	225	33,077
Less: current portion	(26,252)		
Total non-current	\$ 6,600		

***California Infrastructure & Economic Development Bank – 14-101 (previously 12-101) Installment Sale Agreement***

In 2013, the District entered into an agreement for loan number 12-101 with the California Infrastructure and Economic Development Bank (CIEDB) to fund the purchase of water rights in the amount of \$7,500,000 with an interest rate of 2.29%. The term of the agreement is thirty years from December 2013. In March 2014, the loan was rewritten under number 14-101 with a reduced interest rate of 2.04%. Interest only payments are due each February 1st, with principal and interest payments due each August 1st.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 221,504	110,760	332,264
2025	226,577	106,190	332,767
2026	231,766	101,515	333,281
2027	237,073	96,732	333,805
2028	242,502	91,841	334,343
2029-2033	1,298,398	381,817	1,680,215
2034-2038	1,454,031	241,587	1,695,618
2039-2043	1,628,319	84,548	1,712,867
Totals	5,540,170	1,214,990	6,755,160
Less: current portion	(221,504)		
Total non-current	\$ 5,318,666		

**Phelan Piñon Hills Community Services District**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Year Ended June 30, 2023**

**(6) Long-term Debt, continued**

***Municipal Finance Corporation – 21-002 Refinancing of CIEDB – 02-033 and MFC – 14-003***

In 2021, the District entered into an agreement for loan number 21-002 with Municipal Finance Corporation (MFC) to refinance loan number 02-033 with CIEDB and loan number 14-003 with MFC to take advantage of lower interest rates. The District borrowed \$5,567,101 from MFC for the purpose of defeasance of the CIEDB – 02-033 loan balance of \$1,746,964 and the MFC – 14-033 loan balance of \$3,820,137. The loan matures on August 1, 2034 and has an interest rate of 2.80%. Interest only payments are due each February 1<sup>st</sup>, with principal and interest payments due each August 1<sup>st</sup>.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 393,377	128,845	522,222
2025	404,149	118,073	522,222
2026	415,217	107,005	522,222
2027	426,588	95,634	522,222
2028	438,271	83,951	522,222
2029-2033	2,194,873	232,980	2,427,853
2034-2035	494,535	13,911	508,446
Totals	4,767,010	780,399	5,547,409
Less: current portion	(393,377)		
Total non-current	\$ 4,373,633		

***Municipal Finance Corporation – Civic Center Site Lease***

In 2023, the District entered into a lease agreement with Municipal Finance Corporation for the purpose of financing the acquisition and construction of the District’s administrative facility (Civic Center). The District borrowed \$6,040,000 from MFC. The loan matures on January 13, 2043 and has a tax-exempt interest rate of 4.65%. Principal and interest payments are due each January 13<sup>th</sup> and July 13<sup>th</sup>.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 188,440	140,430	328,870
2025	197,306	269,804	467,110
2026	206,589	260,521	467,110
2027	216,308	250,802	467,110
2028	226,485	240,625	467,110
2029-2033	1,302,642	1,032,908	2,335,550
2034-2038	1,639,290	696,260	2,335,550
2039-2033	2,062,940	272,611	2,335,551
Totals	6,040,000	3,163,961	9,203,961
Less: current portion	(188,440)		
Total non-current	\$ 5,851,560		

**Phelan Piñon Hills Community Services District**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Year Ended June 30, 2023**

**(7) Defined Benefit Pension Plan**

***Plan Description***

All qualified permanent and probationary employees are eligible to participate in the District's cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plan are established by State statute and District's resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions, and membership information that can be found on the CalPERS website.

***Benefits Provided***

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Classic and PEPRA members with five years of total service are eligible to retire at age 50 or age 52 with statutorily reduced benefits, respectively. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: The Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

On September 12, 2012, the California Governor signed the California Public Employees' Pension Reform Act of 2013 (PEPRA) into law. PEPRA took effect January 1, 2013. The legislation closed the District's CalPERS 2.5% at 55 Risk Pool Retirement Plan to new employee entrants effective December 31, 2012. For employees hired prior to January 1, 2013, who are current members of CalPERS or a reciprocal agency as of December 31, 2012 and have not been separated from service from such agency for more than six months, the retirement benefit is 2.5% @ 55 years of age; highest single year of compensation. All other employees hired on or after January 1, 2013, the retirement benefit is 2.0% @ 52 years of age; 3-year final compensation.

The Plans' provision and benefits in effect at June 30, 2023 are summarized as follows:

	<b>Miscellaneous Plan</b>		
	<b>Classic</b>	<b>New Classic</b>	<b>PEPRA</b>
Hire date	Prior to January 1, 2011	On or after January 1, 2011 - December 31, 2012	On or after January 1, 2013
Benefit formula	2.5% @ 55	2.0% @ 60	2.0% @ 62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 - 55	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	1.1% to 2.4%	1.0% to 2.5%
Required employee contribution rates	8.00%	7.00%	6.75%
Required employer contribution rates	11.59%	8.65%	7.59%

**Phelan Piñon Hills Community Services District**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Year Ended June 30, 2023**

**(7) Defined Benefit Pension Plan, continued**

***Contributions***

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates, for all public employers, be determined on an annual basis by the actuary and shall be effective on July 1 following notice of the change in rate. Funding contributions for the Plan is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the fiscal year ended June 30, 2023 the contributions for the Plan were as follows:

		<u>Miscellaneous Plan</u>
Contributions – employer	\$	221,164
Contributions – employee (paid by employer)		<u>93,729</u>
Total employer paid contributions	\$	<u><u>314,893</u></u>

***Net Pension Liability***

As of the fiscal year ended June 30, 2023, the District reported a net pension asset for its proportionate share of the Plan as follows:

	<u>Proportionate Share of Net Pension Liability</u>		
	<u>Governmental</u>	<u>Enterprise</u>	<u>Total</u>
Miscellaneous plan	\$ <u>3,463</u>	<u>31,193</u>	<u>34,656</u>

The District's net pension asset is measured as the proportionate share of the Plan's net pension liability. The net pension liability of the Plan is measured as of June 30, 2022 (the measurement date), and the total pension asset for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021 (the valuation date), rolled forward to June 30, 2022, using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

The District's proportionate share of the pension asset for the Plan as of the measurement date June 30, 2022, was as follows:

	<u>Miscellaneous</u>
Proportion – June 30, 2021	-0.00997%
Proportion – June 30, 2022	<u>0.00030%</u>
Change – (Increase)Decrease	<u>0.01027%</u>

**Phelan Piñon Hills Community Services District**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Year Ended June 30, 2023**

**(7) Defined Benefit Pension Plan, continued**

*Deferred Pension Outflows (Inflows) of Resources*

For the fiscal year ended June 30, 2023, the District recognized pension income of \$803,855.

At June 30, 2023 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to the measurement date	\$ 221,164	-
Net difference between actual and expected experience	230	-
Net change in assumptions	3,553	-
Net difference between projected and actual earnings on plan investments	6,351	-
Net difference between actual contribution and proportionate share of contribution	123,620	-
Net adjustment due to differences in proportions of net pension liability	<u>272,157</u>	<u>-</u>
Total	<u>\$ 627,075</u>	<u>-</u>

As of June 30, 2023, employer pension contributions reported as deferred outflows of resources related to contributions subsequent to the measurement date of \$221,164 will be recognized as an addition to the net pension asset for the fiscal year ended June 30, 2024.

At June 30, 2023, the District recognized other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension, which will be recognized as pension expense as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Deferred Net Outflows/(Inflows) of Resources</u>
2023	\$ 207,228
2024	172,716
2025	112,092
2026	(86,125)

**Phelan Piñon Hills Community Services District**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Year Ended June 30, 2023**

**(7) Defined Benefit Pension Plan, continued**

***Actuarial Assumptions***

The total pension liability in the June 30, 2021, actuarial valuation report was determined using the following actuarial assumptions:

Valuation date	June 30, 2021
Measurement date	June 30, 2022
Actuarial cost method	Entry age normal in accordance with the requirements of GASB Statement No. 68
Actuarial assumptions:	
Discount rate	6.90%
Inflation	2.30%
Salary increases	Varies by entry age and service
Investment rate of return	6.90 % net of pension plan investment and administrative expenses; includes inflation
Mortality rate table*	Derived using CalPERS' membership data for all funds
Post retirement benefit	contract COLA up to 2.50% until purchasing power protection allowance floor on purchasing power applies, 2.75% thereafter

\* The mortality table used above was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 Experience Study report. Further details of the Experience Study can be found on the CalPERS website.

***Discount Rate***

The discount rate used to measure the total pension asset was 6.90% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, the amortization and smoothing periods recently adopted by CalPERS were utilized. The crossover test was performed for a miscellaneous agent plan and a safety agent plan selected as being more at risk of failing the crossover test and resulting in a discount rate that would be different from the long-term expected rate of return on pension investments.

Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Plan.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

**Phelan Piñon Hills Community Services District**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Year Ended June 30, 2023**

**(7) Defined Benefit Pension Plan, continued**

*Discount Rate, continued*

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1–10*</u>	<u>Real Return Year 11+**</u>
Global Equity	50.00%	4.80%	5.98%
Global Fixed Income	28.00%	1.00%	2.62%
Inflation Sensitive	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
Total	<u>100.00%</u>		

\* An expected inflation of 2.5% used for this period

\*\* An expected inflation of 3.0% used for this period

*Sensitivity of the Proportionate Share of Net Pension Liability to Changes in the Discount Rate*

The following table presents the District’s proportionate share of the net position asset for the Plan, calculated using the discount rate, as well as what the District’s proportional share of the net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate.

At June 30, 2023, the discount rate comparison was as follows:

	<u>Discount Rate - 1%</u>	<u>Current Discount Rate</u>	<u>Discount Rate + 1%</u>
District's net pension liability(asset)      \$	<u>678,815</u>	<u>34,656</u>	<u>(495,327)</u>

*Payable to the Pension Plan*

At June 30, 2023, the District did not have an outstanding amount of contributions payable to the pension plan.

*Pension Plan Fiduciary Net Position*

Detailed information about the pension plan’s fiduciary net position is available in separately issued CalPERS financial reports. See pages 68 and 69 for the Required Supplementary Schedules.

**Phelan Piñon Hills Community Services District**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Year Ended June 30, 2023**

**(8) Net Position**

Net investment in capital assets is calculated as follows:

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Capital assets – not being depreciated	\$ 3,489,067	20,677,936	24,167,003
Capital assets – being depreciated, net	469,077	18,018,681	18,487,758
Long-term debt – current portion	-	(829,573)	(829,573)
Long-term debt – long-term portion	-	(15,550,459)	(15,550,459)
Total	\$ 3,958,144	22,316,585	26,274,729

Unrestricted net position is designated as follows:

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
General	\$ 3,512,341	-	3,512,341
Parks and recreation	5,503,931	-	5,503,931
Street lighting	23,264	-	23,264
Solid waste	95,612	-	95,612
Materials and supplies inventory	-	730,983	730,983
Prepaid expenses and other assets	-	390,991	390,991
Water operations and capital replacement	-	18,601,460	18,601,460
Total	\$ 9,135,148	19,723,434	28,858,582

**(9) Internal Balances**

*Interfund Transfers*

Interfund transfers consist of the following for the year ended June 30, 2023:

<b>Transfer from</b>	<b>Transfer to</b>	<b>Purpose</b>	<b>Amount</b>
<i>Interfund Operational Transfers:</i>			
General	Water	Operations	\$ 1,170,343
Solid Waste	Parks & Rec	Operations	186,500
Total transfers			\$ 1,356,843

*Interfund Operational Transfers*

During the fiscal year ended June 30, 2023, interfund transfers between the General and Water funds were designated by the Board to utilize resources from General fund revenue to help balance the Water fund budget. The funds were transferred accordingly.

During the fiscal year ended June 30, 2023, interfund transfers between the Parks and Recreation and Solid Waste funds were designated by the Board to transfer any funds remaining from current fiscal years operations from Solid Waste fund to assist in funding operations of the Parks and Recreation fund. The funds were transferred accordingly.

**Phelan Piñon Hills Community Services District**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Year Ended June 30, 2023**

**(10) Fund Balance**

Fund balances are presented in the following categories: non-spendable, restricted, committed, assigned, and unassigned (See Note 1.D.16 for a description of these categories). Fund balances and their funding composition at June 30, 2023 is as follows:

<b>Fund Balance Category</b>		
Assigned:		
Parks and recreation	\$	5,503,931
Street lighting		23,264
Solid waste		95,612
Total assigned fund balance		5,622,807
Unassigned fund balance:		
General fund		3,456,974
Total fund balance	\$	9,079,781

**(11) Chromium-6 Surcharge**

The District’s water wells have traces of naturally occurring Chromium-6, which exceed the maximum contaminant levels (MCL) under new state regulations and must reduce the MCL to meet state goals. The District decided to blend its water supply with water that does not contain Chromium-6 to reduce the levels of Chromium-6. The District estimated the cost to comply with the new regulations to be approximately \$17 million. The District was seeking grants and low interest loans to help reduce the impact to the customers. The District was in the process of implementing its compliance project when the State Water Resources Control Board reversed its ruling, changing the MCL back to previous levels. It is expected that the MCL will be reduced again soon. The District spent approximately \$4.5 million toward the compliance project and has approved an additional \$6.6 million in projects to meet the state mandates. The total of approximately \$11.1 million for the revised projects is less than the original estimate of \$17 million. The District will continue to collect the surcharge from customers to recover the funds expended. At June 30, 2023, the Chromium-6 surcharge amounted to \$843,638 for the fiscal year.

**(12) 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 employees; and natural disasters. The District is a member of the Special District Risk Management Authority (SDRMA), an intergovernmental risk sharing joint powers authority created to provide self-insurance programs for California special districts. The purpose of the SDRMA is to arrange and administer programs of self-insured losses and to purchase excess insurance coverage.

At June 30, 2023, the District participated in the liability and property programs of the SDRMA as follows:

- General and auto liability, personal injury and property damage, public officials’ and employees’ errors and omissions, up to \$2,500,000 for each wrongful act, subject to a \$500 deductible per occurrence for third party general liability property damage and \$1,000 per occurrence for third party auto liability property damage. 50% co-insurance of cost expended by SDRMA, in excess of \$10,000 up to \$50,000, per occurrence, for employment related claims. However, 100% of the obligation will be waived if certain criteria are met, as provided in the Memorandum of Coverage’s.

**Phelan Piñon Hills Community Services District**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Year Ended June 30, 2023**

**(12) Risk Management, continued**

In addition to the above, the District also has the following insurance coverage:

- Employee and Public officials' dishonesty coverage up to \$1,000,000 per loss includes public employee or officials' dishonesty, forgery or alteration and theft, disappearance, and destruction coverage, subject to a \$10,000 deductible.
- Property loss is paid at the replacement cost for property on file, if replaced within three years after the loss, otherwise paid on an actual cash value basis, to a combined member (pool) total of \$1.0 Billion per occurrence, subject to a \$1,000 deductible per occurrence.
- Boiler and machinery coverage for the replacement cost up to \$100 million per occurrence, subject to a \$1,000 deductible per occurrence, unless otherwise specified.
- Public officials' personal liability up to \$500,000 each occurrence, with an annual aggregate of \$500,000 per elected/appointed official to which this coverage applies, subject to the terms and a \$500 deductible per claim.
- Comprehensive and Collision: on selected vehicles, with deductibles of \$250/\$500 or \$500/\$1,000, as elected; ACV limits; fully self-funded by SDRMA.
- Workers compensation insurance with statutory limits per occurrence and employer's liability coverage up to \$5,000,000 million, subject to the terms, conditions, and exclusions as provided in the Memorandum of Coverage's.

Settled claims have not exceeded any of the coverage amounts in the last three fiscal years. There were no reductions in insurance coverage in fiscal year 2023. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no material IBNR claim payables as of June 30, 2023.

**(13) Governmental Accounting Standards Board Statements Issued, Not Yet Effective**

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2023, that have effective dates that may impact future financial presentations.

***Governmental Accounting Standards Board Statement No. 99***

In April 2022, the GASB issued Statement No. 99 – *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

The requirements of this Statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. Consistent authoritative literature enables governments and other stakeholders to locate and apply the correct accounting and financial reporting provisions, which improves the consistency with which such provisions are applied. The comparability of financial statements also will improve as a result of this Statement. Better consistency and comparability improve the usefulness of information for users of state and local government financial statements.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

**Phelan Piñon Hills Community Services District**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Year Ended June 30, 2023**

**(13) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued**

***Governmental Accounting Standards Board Statement No. 100***

In June 2022, the GASB issued Statement No. 100 – *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements.

The requirements of this Statement will improve the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. In turn, more understandable, reliable, relevant, consistent, and comparable information will be provided to financial statement users for making decisions or assessing accountability. In addition, the display and note disclosure requirements will result in more consistent, decision useful, understandable, and comprehensive information for users about accounting changes and error corrections.

The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

***Governmental Accounting Standards Board Statement No. 101***

In June 2022, the GASB issued Statement No. 101 – *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

**Phelan Piñon Hills Community Services District**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Year Ended June 30, 2023**

**(14) Commitments and Contingencies**

*Grant Awards*

Grant funds received by the District are subject to audit by the grantor agencies. Such audit could lead to requests for reimbursements to the grantor agencies for expenditures disallowed under terms of the grant. Management of the District believes that such disallowances, if any, would not be significant.

*Litigation*

In the ordinary course of operations, the District is subject to claims and litigation from outside parties. After consultation with legal counsel, the District believes the ultimate outcome of such matters, if any, will not materially affect its financial condition.

**(15) Subsequent Event**

Subsequent to fiscal year ended June 30, 2023, the District determined to cancel the Sheep Creek Water Company consolidation management coordination and other related projects. This is deemed to have no material fiscal impact on the District.

Events occurring after June 30, 2023 have been evaluated for possible adjustment to the financial statements or disclosure as of November 8, 2023, which is the date the financial statements were available to be issued. The District is not aware of any further subsequent events that would require recognition or disclosure in the financial statements.

## **Required Supplementary Information**



**Phelan Pinon Hills Community Services District**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget to Actual – General Fund**  
**For the Year Ended June 30, 2023**

	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>			
Property taxes	\$ 713,038	893,131	180,093
Charges for services	164,488	322,936	158,448
Investment earnings	12,940	190,461	177,521
Other	-	55,973	55,973
<b>Total revenues</b>	<u>890,466</u>	<u>1,462,501</u>	<u>572,035</u>
<b>Expenditures:</b>			
Salaries and benefits	261	142	119
Materials and services	8,871	5,597	3,274
<b>Total expenditures</b>	<u>9,132</u>	<u>5,739</u>	<u>3,393</u>
<b>Excess of revenues over expenditures</b>	<u>881,334</u>	<u>1,456,762</u>	<u>575,428</u>
<b>Other financing sources(uses):</b>			
Transfers out	<u>(156,000)</u>	<u>(1,170,343)</u>	<u>(1,014,343)</u>
<b>Total other financing sources</b>	<u>(156,000)</u>	<u>(1,170,343)</u>	<u>(1,014,343)</u>
<b>Net change in fund balance</b>	725,334	286,419	\$ <u><u>(438,915)</u></u>
<b>Fund balance – beginning of period</b>	<u>3,170,555</u>	<u>3,170,555</u>	
<b>Fund balance – end of period</b>	<u>\$ <u>3,895,889</u></u>	<u>3,456,974</u>	

**Pinon Hills Community Services District**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget to Actual – Parks and Recreation Fund**  
**For the Year Ended June 30, 2023**

	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>			
Property taxes	\$ 765,000	749,704	(15,296)
Charges for services	18,140	21,183	3,043
Investment earnings	16,720	229,168	212,448
<b>Total revenues</b>	<u>799,860</u>	<u>1,000,055</u>	<u>200,195</u>
<b>Expenditures:</b>			
Salaries and benefits	444,060	338,950	105,110
Materials and services	351,260	165,628	185,632
Utilities	3,960	30,319	(26,359)
Capital outlay	-	118,526	(118,526)
<b>Total expenditures</b>	<u>799,280</u>	<u>653,423</u>	<u>145,857</u>
<b>Excess of revenues over expenditures</b>	<u>580</u>	<u>346,632</u>	<u>346,052</u>
<b>Other financing sources(uses):</b>			
Transfers in	-	186,500	186,500
<b>Total other financing sources</b>	<u>-</u>	<u>186,500</u>	<u>186,500</u>
<b>Net change in fund balance</b>	580	533,132	\$ <u><u>532,552</u></u>
<b>Fund balance – beginning of period</b>	<u>4,970,799</u>	<u>4,970,799</u>	
<b>Fund balance – end of period</b>	<u>\$ <u>4,971,379</u></u>	<u><u>5,503,931</u></u>	

**Pinon Hills Community Services District**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget to Actual – Street Lighting Fund**  
**For the Year Ended June 30, 2023**

	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>			
Property taxes	\$ 20,000	25,373	(5,373)
Investment earnings	-	849	(849)
<b>Total revenues</b>	<u>20,000</u>	<u>26,222</u>	<u>(5,373)</u>
<b>Expenditures:</b>			
Utilities	<u>17,930</u>	<u>25,374</u>	<u>(7,444)</u>
<b>Total expenditures</b>	<u>17,930</u>	<u>25,374</u>	<u>(7,444)</u>
<b>Excess(deficiency) of revenues over expenditures</b>	<u>2,070</u>	<u>848</u>	<u>2,071</u>
<b>Net change in fund balance</b>	2,070	848	\$ <u><u>2,071</u></u>
<b>Fund balance – beginning of period</b>	<u>22,416</u>	<u>22,416</u>	
<b>Fund balance – end of period</b>	\$ <u><u>24,486</u></u>	<u><u>23,264</u></u>	

**Pinon Hills Community Services District**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget to Actual – Solid Waste Fund**  
**For the Year Ended June 30, 2023**

	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>			
Investment earnings	\$ 750	7,941	7,191
Franchise fees	<u>349,040</u>	<u>374,017</u>	<u>24,977</u>
<b>Total revenues</b>	<u>349,790</u>	<u>381,958</u>	<u>32,168</u>
<b>Expenditures:</b>			
Salaries and benefits	27,035	123,401	(96,366)
Materials and services	<u>66,780</u>	<u>74,278</u>	<u>(7,498)</u>
<b>Total expenditures</b>	<u>93,815</u>	<u>197,679</u>	<u>(103,864)</u>
<b>Excess of revenues over expenditures</b>	<u>255,975</u>	<u>184,279</u>	<u>(71,696)</u>
<b>Other financing sources(uses):</b>			
Transfers out	<u>-</u>	<u>(186,500)</u>	<u>(186,500)</u>
<b>Total other financing sources</b>	<u>-</u>	<u>(186,500)</u>	<u>-</u>
<b>Net change in fund balance</b>	255,975	(2,221) \$	<u><u>(71,696)</u></u>
<b>Fund balance – beginning of period</b>	<u>97,833</u>	<u>97,833</u>	
<b>Fund balance – end of period</b>	<u><u>\$ 353,808</u></u>	<u><u>95,612</u></u>	

**Phelan Pinon Hills Community Service District**  
**Notes to the Required Supplementary Information**  
**June 30, 2023**

**Basis of Budgeting**

The District follows specific procedures in establishing the budgetary data reflected in the financial statements. Each year, the District's General Manager and Administrative Services Manager prepare and submit a capital and operating budget to the Board of Directors and adopted no later than June of each year. Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all government and proprietary funds. Annual budgets are adopted on the modified accrual basis of accounting for government fund types and accrual basis for the proprietary fund. The adopted budget becomes operative on July 1.

The Board of Directors must approve all supplemental appropriations to the budget and transfers between major funds. The legal level of budgetary control is at the fund level. Budget information is presented as required supplementary information for the General, Parks and Recreation, Street Lighting, and Solid Waste Funds.

**Phelan Pinon Hills Community Service District**  
**Schedules of the District's Proportionate Share of the Net Pension Liability (Asset) (CalPERS)**  
**As of June 30, 2023**  
**Last Ten Years\***

	Measurement Date									
	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	
District's proportion of the net pension liability(asset)	0.00030%	-0.00997%	0.00019%	0.00122%	0.00067%	0.00085%	0.00034%	-0.00064%	-0.00059%	
District's proportionate share of the net pension liability(asset) \$	34,656	(539,181)	(20,746)	124,704	64,920	84,343	29,638	(43,699)	(36,475)	
District's covered payroll \$	1,951,328	1,808,252	1,581,807	1,492,311	1,356,824	1,501,918	1,260,143	1,184,091	1,106,270	
District's proportionate share of the net pension liability as a percentage of its covered payroll	1.78%	-29.82%	-1.31%	8.36%	4.78%	5.62%	2.35%	-3.69%	-3.30%	
District's fiduciary net position as a percentage of the Plan's total pension liability	99.27%	127.83%	100.69%	95.18%	97.00%	95.74%	98.20%	103.19%	103.43%	
District's proportionate share of aggregate employer contribution \$	243,313	168,046	135,846	102,066	80,076	71,772	60,285	48,918	-	

**Notes to schedule:**

There were no changes in benefits.

Changes in assumptions:

From fiscal year June 30, 2015 to June 30, 2016:

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses.

The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

From fiscal year June 30, 2016 to June 30, 2017:

There were no changes in assumptions.

From fiscal year June 30, 2017 to June 30, 2018:

The discount rate was reduced from 7.65% to 7.15%

From fiscal year June 30, 2018 to June 30, 2019:

The inflation rate was reduced from 2.75% to 2.50%

From fiscal year June 30, 2019 to June 30, 2020:

There were no changes in assumptions.

From fiscal year June 30, 2020 to June 30, 2021:

There were no changes in assumptions.

From fiscal year June 30, 2021 to June 30, 2022:

There were no changes in assumptions.

From fiscal year June 30, 2022 to June 30, 2023:

The discount rate was reduced from 7.15% to 6.90%

\* The District has presented information for those years for which information is available until a full 10-year trend is compiled.

**Phelan Pinon Hills Community Service District  
Schedules of Pension Plan Contributions (CalPERS)  
As of June 30, 2023  
Last Ten Years\***

	Fiscal Year								
	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Actuarially determined contribution	\$ 190,128	175,294	166,072	142,468	143,791	120,744	119,964	115,218	118,081
Contributions in relation to the actuarially determined contribution	(190,128)	(175,294)	(166,072)	(142,468)	(143,791)	(120,744)	(119,964)	(115,218)	(118,081)
Contribution deficiency(excess)	\$ -	-	-	-	-	-	-	-	-
Covered payroll	\$ 2,171,915	1,951,328	1,808,252	1,581,807	1,492,311	1,356,824	1,501,918	1,260,143	1,184,091
Contribution's as a percentage of covered payroll	9.74%	9.69%	9.18%	9.01%	9.64%	8.90%	7.99%	9.14%	9.97%
Notes to schedule:									
Valuation date	June 30, 2021	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Methods and assumptions used to determine contribution rates:									
Actuarial cost method	Entry Age								
Amortization method	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Asset valuation method	Market Value	15 year Smoothed Market Method							
Inflation	2.30%	2.50%	2.63%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%
Salary increases	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Investment rate of return	6.90% (3)	7.15% (3)	7.25% (3)	7.375% (3)	7.50% (3)	7.50% (3)	7.50% (3)	7.50% (3)	7.50% (3)
Retirement age	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)
Mortality	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)

(1) Level of percentage payroll, closed

(2) Depending on age, service, and type of employment

(3) Net of pension plan investment expense, including inflation

(4) 50 for all plans with exception of 52 for Miscellaneous 2% @ 62

(5) Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.

\* The District has presented information for those years for which information is available until a full 10-year trend is compiled.



# **Statistical Section**



**Phelan Pinon Hills Community Service District  
Statistical Section**

This part of the District’s Annual Comprehensive Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District’s overall financial health.

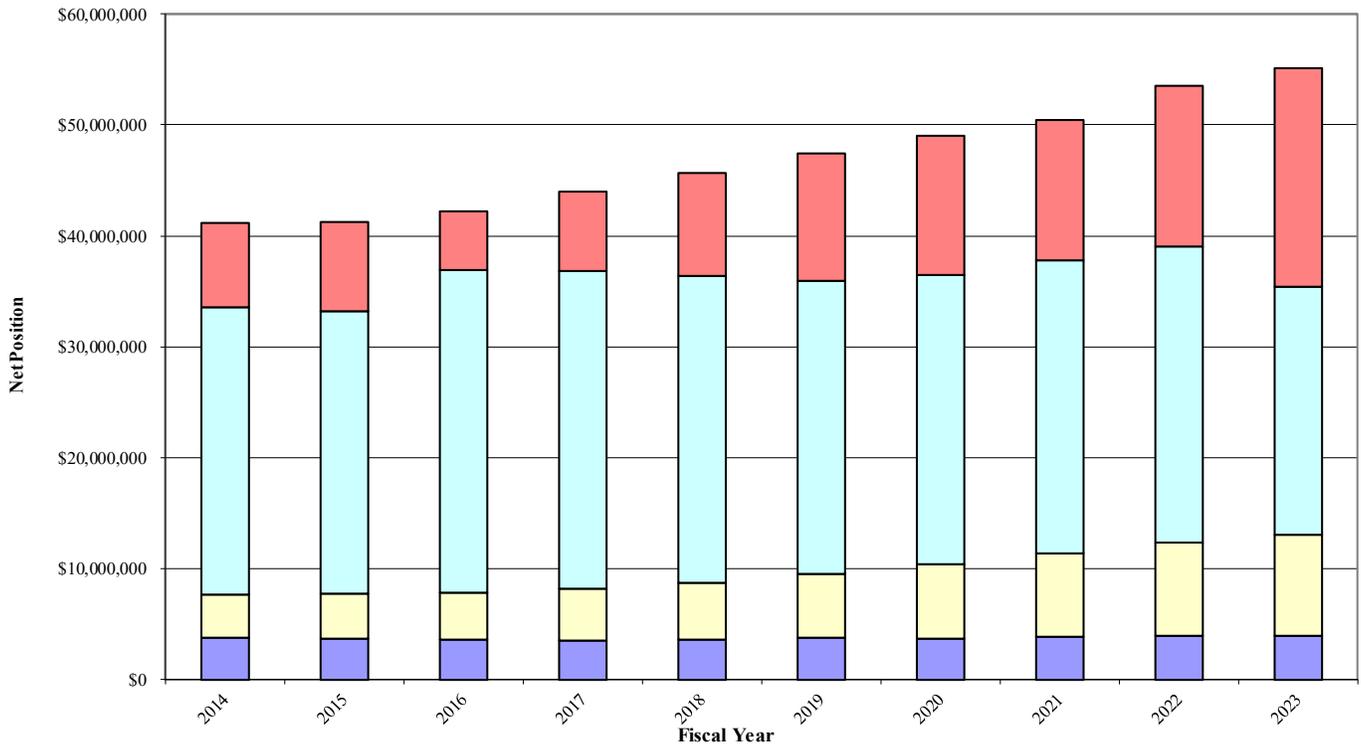
The following statistical information reflects the last ten full years of operations.

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**Phelan Pinon Hills Community Services District  
Net Position by Component  
Last Ten Fiscal Years**

	Fiscal Year					
	2014	2015	2016	2017	2018	2019
<b>Governmental activities</b>						
Net investment in capital assets	\$ 3,770,219	3,694,550	3,579,586	3,528,938	3,552,883	3,726,239
Unrestricted	3,853,719	4,092,530	4,219,715	4,659,965	5,178,587	5,758,804
<b>Total governmental activities net position</b>	<b>7,623,938</b>	<b>7,787,080</b>	<b>7,799,301</b>	<b>8,188,903</b>	<b>8,731,470</b>	<b>9,485,043</b>
<b>Business-type activities</b>						
Invested in capital assets, net of related debt	\$ 25,906,040	25,401,202	29,120,934	28,643,010	27,628,901	26,460,380
Unrestricted	7,600,621	8,052,114	5,331,237	7,127,390	9,277,089	11,471,614
<b>Total business-type activities net position</b>	<b>33,506,661</b>	<b>33,453,316</b>	<b>34,452,171</b>	<b>35,770,400</b>	<b>36,905,990</b>	<b>37,931,994</b>
<b>Primary government</b>						
Net investment in capital assets	\$ 29,676,259	29,095,752	32,700,520	32,171,948	31,181,784	30,186,619
Unrestricted	11,454,340	12,144,644	9,550,952	11,787,355	14,455,676	17,230,418
<b>Total primary government net position</b>	<b>\$ 41,130,599</b>	<b>41,240,396</b>	<b>42,251,472</b>	<b>43,959,303</b>	<b>45,637,460</b>	<b>47,417,037</b>



Source: Phelan Pinon Hills Community Service District audited financial statements

**Phelan Pinon Hills Community Services District  
Net Position by Component  
Last Ten Fiscal Years**

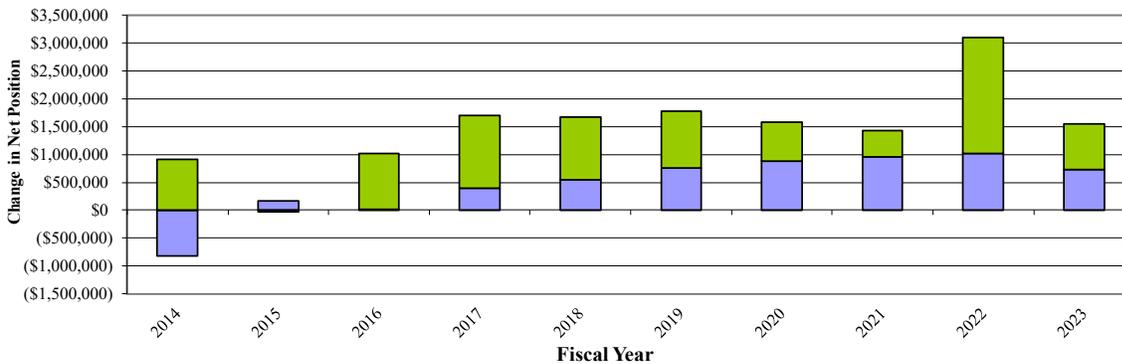
<u>Fiscal Year</u>			
<u>2020</u>	<u>As Restated 2021</u>	<u>2022</u>	<u>2023</u>
3,663,363	3,888,889	3,932,315	3,958,144
<u>6,710,608</u>	<u>7,439,486</u>	<u>8,413,462</u>	<u>9,135,148</u>
<u>10,373,971</u>	<u>11,328,375</u>	<u>12,345,777</u>	<u>13,093,292</u>
26,133,427	26,472,413	26,668,410	22,316,585
<u>12,485,229</u>	<u>12,623,411</u>	<u>14,506,424</u>	<u>19,723,434</u>
<u>38,618,656</u>	<u>39,095,824</u>	<u>41,174,834</u>	<u>42,040,019</u>
29,796,790	30,361,302	30,600,725	26,274,729
<u>19,195,837</u>	<u>20,062,897</u>	<u>22,919,886</u>	<u>28,858,582</u>
<u>48,992,627</u>	<u>50,424,199</u>	<u>53,520,611</u>	<u>55,133,311</u>

# Phelan Pinon Hills Community Services District

## Change in Net Position

### Last Ten Fiscal Years

	Fiscal Year					
	2014	2015	2016	2017	2018	2019
<b>Expenses:</b>						
Governmental activities:						
General government	\$ 73,381	56,457	53,281	57,367	19,600	12,239
Parks and Recreation	433,697	396,400	380,024	424,872	459,355	455,646
Street Lighting	13,489	13,804	13,679	12,956	13,077	12,437
Solid Waste	2,173	9,377	10,133	35,209	37,840	51,323
Total governmental activities expenses	<u>522,740</u>	<u>476,038</u>	<u>457,117</u>	<u>530,404</u>	<u>529,872</u>	<u>531,645</u>
Business-type activities:						
Water enterprise	5,121,970	5,481,342	5,394,700	5,547,014	6,345,754	6,921,131
Total primary government expenses	<u>5,644,710</u>	<u>5,957,380</u>	<u>5,851,817</u>	<u>6,077,418</u>	<u>6,875,626</u>	<u>7,452,776</u>
<b>Program Revenues:</b>						
Governmental activities:						
Charges for services:						
General government	-	-	-	-	-	-
Parks and Recreation	13,065	19,758	21,488	24,220	25,098	23,105
Capital grants and contributions	-	-	-	-	-	-
Total governmental activities program revenues	<u>13,065</u>	<u>19,758</u>	<u>21,488</u>	<u>24,220</u>	<u>25,098</u>	<u>23,105</u>
Business-type activities:						
Charges for services – water enterprise	3,975,482	4,375,271	4,521,209	5,707,335	6,253,646	6,415,471
Assessments	299,818	295,257	309,682	299,385	296,438	290,188
Capital grants and contributions	-	-	436,492	125,902	-	-
Total business-type activities program revenues	<u>4,275,300</u>	<u>4,670,528</u>	<u>5,267,383</u>	<u>6,132,622</u>	<u>6,550,084</u>	<u>6,705,659</u>
<b>Net (Expense)/Revenue:</b>						
Governmental activities	(509,675)	(456,280)	(435,629)	(506,184)	(504,774)	(508,540)
Business-type activities	(846,670)	(810,814)	(127,317)	585,608	204,330	(215,472)
Total primary government net expense	<u>(1,356,345)</u>	<u>(1,267,094)</u>	<u>(562,946)</u>	<u>79,424</u>	<u>(300,444)</u>	<u>(724,012)</u>
<b>General Revenues and Other Changes in Net Position:</b>						
Governmental activities:						
Property taxes	895,649	930,801	1,003,264	1,062,550	1,127,118	1,206,628
Investment income	11,667	13,607	15,827	33,106	56,933	143,109
Other income	294,734	205,275	197,710	248,130	266,490	366,645
Transfers in (out)	(1,520,785)	(527,170)	(768,951)	(448,000)	(403,200)	(454,269)
Total governmental activities	<u>(318,735)</u>	<u>622,513</u>	<u>447,850</u>	<u>895,786</u>	<u>1,047,341</u>	<u>1,262,113</u>
Business-type activities:						
Property taxes	41,295	21,180	21,907	19,845	24,707	16,399
Investment income	13,924	37,455	23,862	27,612	74,493	282,611
Other income	190,071	199,483	311,452	237,164	428,860	488,197
Transfers in (out)	1,520,785	527,170	768,951	448,000	403,200	454,269
Total business-type activities	<u>1,766,075</u>	<u>785,288</u>	<u>1,126,172</u>	<u>732,621</u>	<u>931,260</u>	<u>1,241,476</u>
Total primary government	<u>1,447,340</u>	<u>1,407,801</u>	<u>1,574,022</u>	<u>1,628,407</u>	<u>1,978,601</u>	<u>2,503,589</u>
<b>Changes in Net Position:</b>						
Governmental activities	(828,410)	166,233	12,221	389,602	542,567	753,573
Business-type activities	919,405	(25,526)	998,855	1,318,229	1,135,590	1,026,004
Total primary government	<u>\$ 90,995</u>	<u>140,707</u>	<u>1,011,076</u>	<u>1,707,831</u>	<u>1,678,157</u>	<u>1,779,577</u>



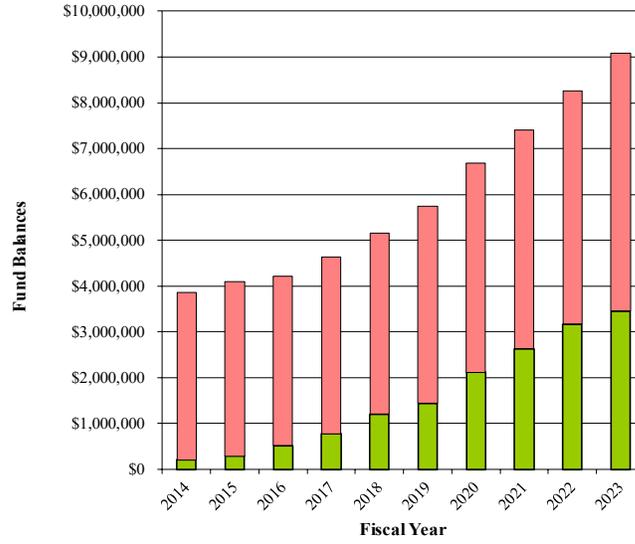
Source: Phelan Pinon Hills Community Service District audited financial statements

**Phelan Pinon Hills Community Services District  
Change in Net Position  
Last Ten Fiscal Years**

Fiscal Year			
2020	As Restated 2021	2022	2023
8,165	4,953	28,752	5,739
457,238	491,166	437,980	724,086
14,466	15,840	16,563	25,374
39,307	20,387	63,491	197,679
<u>519,176</u>	<u>532,346</u>	<u>546,786</u>	<u>952,878</u>
<u>8,666,424</u>	<u>8,889,244</u>	<u>7,510,341</u>	<u>10,154,751</u>
<u>9,185,600</u>	<u>9,421,590</u>	<u>8,057,127</u>	<u>11,107,629</u>
-	179,283	227,963	322,936
17,143	1,821	11,555	21,183
-	-	-	-
<u>17,143</u>	<u>181,104</u>	<u>239,518</u>	<u>344,119</u>
6,988,852	8,180,843	8,511,866	8,271,931
288,222	291,840	287,748	284,218
-	-	-	-
<u>7,277,074</u>	<u>8,472,683</u>	<u>8,799,614</u>	<u>8,556,149</u>
(502,033)	(351,242)	(307,268)	(608,759)
(1,389,350)	(416,561)	1,289,273	(1,598,602)
<u>(1,891,383)</u>	<u>(767,803)</u>	<u>686,588</u>	<u>(2,207,361)</u>
1,281,699	1,387,911	1,494,147	1,668,208
135,202	53,388	(75,411)	428,419
427,169	304,347	342,798	429,990
(453,109)	(440,000)	(436,864)	(1,170,343)
<u>1,390,961</u>	<u>1,305,646</u>	<u>1,324,670</u>	<u>1,356,274</u>
16,235	17,825	22,612	15,565
309,495	-	(264,479)	736,007
1,297,173	435,904	594,740	541,872
453,109	440,000	436,864	1,170,343
<u>2,076,012</u>	<u>893,729</u>	<u>789,737</u>	<u>2,463,787</u>
<u>3,466,973</u>	<u>2,199,375</u>	<u>2,114,407</u>	<u>3,820,061</u>
888,928	954,404	1,017,402	729,063
686,662	477,168	2,079,010	827,720
<u>1,575,590</u>	<u>1,431,572</u>	<u>3,096,412</u>	<u>1,556,783</u>

## Phelan Pinon Hills Community Services District Fund Balances, Governmental Funds Last Ten Fiscal Years

		Fiscal Year									
		2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General Fund: **											
Assigned	\$	-	-	-	-	-	-	-	-	-	-
Unassigned		204,907	288,875	516,149	773,776	1,204,949	1,440,024	2,117,702	2,630,438	3,170,555	3,456,974
<b>Total general fund</b>	\$	<b>204,907</b>	<b>288,875</b>	<b>516,149</b>	<b>773,776</b>	<b>1,204,949</b>	<b>1,440,024</b>	<b>2,117,702</b>	<b>2,630,438</b>	<b>3,170,555</b>	<b>3,456,974</b>
All Other Governmental Funds:											
Assigned	\$	3,655,592	3,812,880	3,690,087	3,856,038	3,952,427	4,302,299	4,561,330	4,776,683	5,091,048	5,622,807
Unassigned		-	-	-	-	-	-	-	-	-	-
<b>Total all other governmental funds</b>	\$	<b>3,655,592</b>	<b>3,812,880</b>	<b>3,690,087</b>	<b>3,856,038</b>	<b>3,952,427</b>	<b>4,302,299</b>	<b>4,561,330</b>	<b>4,776,683</b>	<b>5,091,048</b>	<b>5,622,807</b>

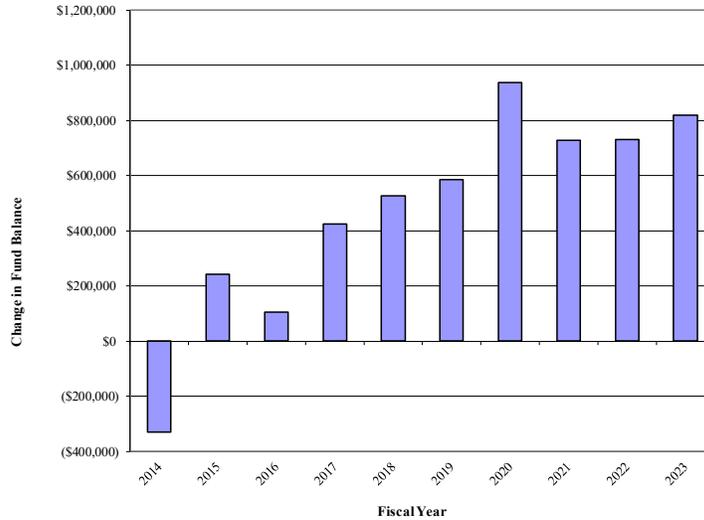


Note: \* Governmental Accounting Standards Board No. 54 - *Fund Balance Reporting and Governmental Fund Type Definition* was adopted in 2011.  
 \*\* Reporting for the General Fund was initiated in fiscal year 2014.

Source: Phelan Pinon Hills Community Service District audited financial statements

## Phelan Pinon Hills Community Services District Changes in Fund Balances - Governmental Funds Last Ten Fiscal Years

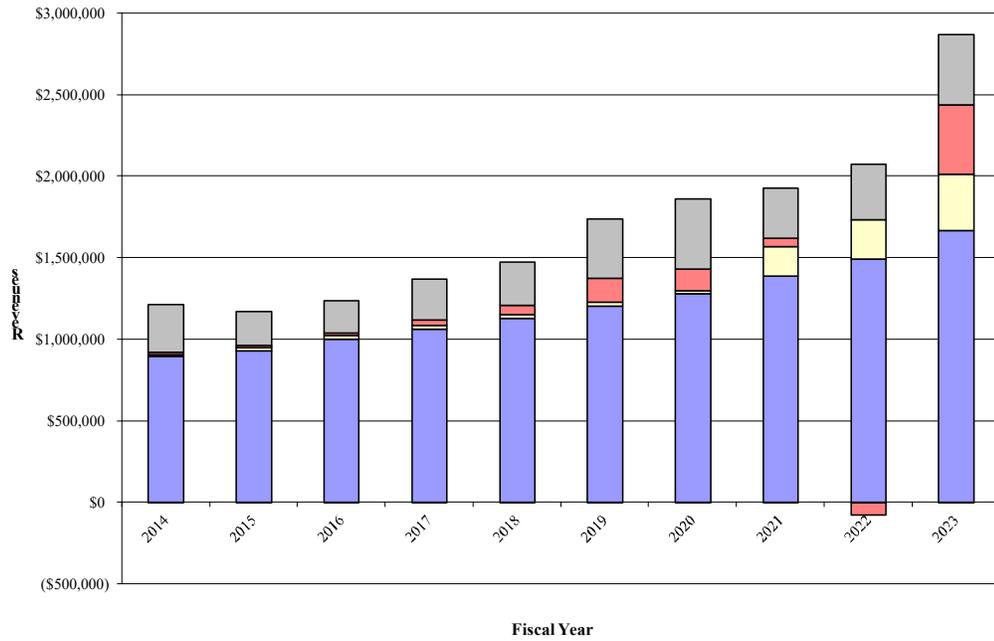
	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenues	\$ 1,215,115	1,169,441	1,238,289	1,368,006	1,475,639	1,739,487	1,861,212	1,911,257	2,076,463	2,870,736
Expenditures	492,511	401,015	364,857	496,428	544,877	700,271	471,394	743,168	785,117	882,215
Excess of revenues over (under) expenditures	722,604	768,426	873,432	871,578	930,762	1,039,216	1,389,818	1,168,089	1,291,346	1,988,521
Other Financing Sources (Uses)										
Proceeds from long-term debt	-	-	-	-	-	-	-	-	-	-
Operating transfers in	-	7,055	322,141	287,998	167,712	130,000	200,000	275,000	276,000	186,500
Operating transfers out	(1,052,785)	(534,225)	(1,091,092)	(735,998)	(570,912)	(584,269)	(653,109)	(715,000)	(712,864)	(1,356,843)
Total Other Financing Sources (Uses)	(1,052,785)	(527,170)	(768,951)	(448,000)	(403,200)	(454,269)	(453,109)	(440,000)	(436,864)	(1,170,343)
<b>Net change in fund balances</b>	<b>\$ (330,181)</b>	<b>241,256</b>	<b>104,481</b>	<b>423,578</b>	<b>527,562</b>	<b>584,947</b>	<b>936,709</b>	<b>728,089</b>	<b>731,225</b>	<b>818,178</b>



Source: Phelan Pinon Hills Community Service District audited financial statements

## Phelan Pinon Hills Community Services District Governmental Fund Revenues Last Ten Fiscal Years

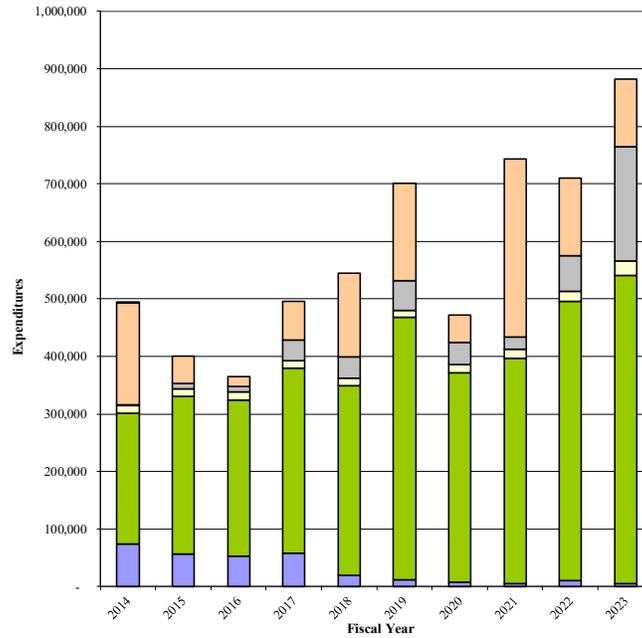
	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	As Restated 2021	2022	2023
Property taxes	\$ 895,649	930,801	1,003,264	1,062,550	1,127,118	1,206,628	1,281,699	1,387,911	1,494,147	1,668,208
Charges for services	13,065	19,758	21,488	24,220	25,098	23,105	17,142	181,104	239,518	344,119
Interest	11,667	13,607	15,827	33,106	56,933	143,109	135,202	53,388	(75,411)	428,419
Other	294,734	205,275	197,710	248,130	266,490	366,645	427,169	304,347	342,798	429,990
Total governmental revenues	\$ 1,215,115	1,169,441	1,238,289	1,368,006	1,475,639	1,739,487	1,861,212	1,911,257	2,001,052	2,870,736



Source: Phelan Pinon Hills Community Service District audited financial statements

## Phelan Pinon Hills Community Services District Governmental Fund Expenditures Last Ten Fiscal Years

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General government *	\$ 73,381	56,457	53,281	57,367	19,600	12,239	8,165	4,953	10,505	5,739
Parks and Recreation	227,373	273,906	271,147	322,514	328,981	455,646	363,072	392,210	485,741	534,897
Street Lighting	13,489	13,804	13,679	12,956	13,077	12,437	14,466	15,840	16,181	25,374
Solid Waste **	2,173	9,377	10,133	35,209	37,840	51,323	39,307	20,387	63,265	197,679
Capital outlay	176,095	47,471	16,617	68,382	145,379	168,626	46,384	309,778	134,014	118,526
<b>Total governmental expenditures</b>	<b>\$ 145,631</b>	<b>492,511</b>	<b>401,015</b>	<b>364,857</b>	<b>496,428</b>	<b>544,877</b>	<b>700,271</b>	<b>471,394</b>	<b>743,168</b>	<b>882,215</b>



Note: \* Reporting for the General Fund was initiated in fiscal year 2014.  
 \*\* Reporting for the Solid Waste Fund started in fiscal year 2013.

Source: Phelan Pinon Hills Community Service District audited financial statements

**Phelan Pinon Hills Community Services District  
Assessed Valuations – San Bernardino County  
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Secured San Bernardino County</u>	<u>Unsecured San Bernardino County</u>	<u>Totals</u>	<u>Total Direct Tax Rate</u>
2014	\$ 1,291,389,085	13,060,922	1,304,450,007	1.000000%
2015	1,348,979,703	13,974,369	1,362,954,072	1.000000%
2016	1,424,385,527	12,009,283	1,436,394,810	1.000000%
2017	1,471,330,134	13,123,355	1,484,453,489	1.000000%
2018	1,546,141,340	12,545,948	1,558,687,288	1.000000%
2019	1,625,020,213	14,567,365	1,639,587,578	1.000000%
2020	1,734,047,294	14,232,824	1,748,280,118	1.000000%
2021	1,826,847,318	14,356,852	1,841,204,170	1.000000%
2022	1,927,000,757	14,775,406	1,941,776,163	1.000000%
2023	2,100,614,236	14,124,043	2,114,738,279	1.000000%

**Note:** Property in San Bernardino County is reassessed each year. Property is assessed at actual value, therefore, the assessed values are equal to the actual values.

**Source:** San Bernardino County Assessor offices

**Phelan Pinon Hills Community Services District  
Water Sales Revenue and Water Production  
Last Ten Fiscal Years**

Fiscal Year	Water Sales Revenue				Quantity of Water Sold (HCF*)			
	Residential	Commercial	Industrial	Total	Residential	Commercial	Industrial	Total
2014	\$ 3,745,316	144,093	12,995	3,902,404	1,136,271	60,273	6,277	1,202,821
2015	3,991,657	196,573	25,860	4,214,090	1,088,662	75,237	7,963	1,171,862
2016	4,090,260	240,168	7,577	4,338,006	837,199	71,340	7,577	916,116
2017	4,312,101	298,476	52,395	4,662,972	895,380	90,471	6,755	992,606
2018	4,659,051	352,203	59,405	5,070,659	921,663	103,318	6,725	1,031,706
2019	4,648,826	364,211	32,263	5,045,300	886,294	102,579	3,842	992,715
2020	5,014,750	354,476	69,643	5,438,870	910,164	96,086	10,349	1,016,599
2021	5,651,311	419,900	177,669	6,248,880	1,041,855	112,035	27,724	1,181,614
2022	6,164,063	461,884	222,092	6,848,039	1,014,109	106,597	19,338	1,140,044
2023	6,083,155	361,098	272,234	6,716,487	886,347	71,507	23,112	980,966

**Note:** \* Hundred Cubic Feet (HCF) = 748 gallons.

**Source:** Phelan Pinon Hills Community Service District audited financial statements and billing records

# Phelan Pinon Hills Community Services District

## Water Rates

### Last Ten Fiscal Years

Commodity Charge			January 1, 2014	January 1, 2015	January 1, 2016	February 1, 2016	July 1, 2016	July 1, 2017	July 1, 2018	July 1, 2019	February 1, 2021	July 1, 2021	January 1, 2022	July 1, 2022	July 1, 2023
Tiered	Tier (HCF)														
Tier 1	0-25	\$	1.89	2.02	2.17	2.50	2.22	2.35	2.39	2.53	2.64	2.8	na	na	na
Tier 2	25.01+		2.18	2.33	2.50	3.95	3.51	3.71	3.77	4.00	4.01	4.26	na	na	na
Tier 1	0-9		na	na	na	na	na	na	na	na	na	na	2.73	2.90	3.08
Tier 2	9.01-29		na	na	na	na	na	na	na	na	na	na	3.12	3.31	3.51
Tier 3	29.01+		na	na	na	na	na	na	na	na	na	na	7.53	7.99	8.47

Meter Charge	Bi-Monthly					Monthly									
	January 1, 2014	January 1, 2015	January 1, 2016	February 1, 2016	July 1, 2016	July 1, 2017	July 1, 2018	July 1, 2019	February 1, 2021	July 1, 2021	January 1, 2022	July 1, 2022	July 1, 2023		
3/4"	\$	33.75	35.77	18.96	18.96	16.97	17.90	18.16	19.16	22.28	23.62	22.8	24.17	25.63	
1"		44.81	47.49	25.17	29.22	25.91	27.46	27.89	29.56	32.06	33.99	34.5	26.57	38.77	
1.5"		72.45	76.80	40.70	54.87	48.24	51.34	52.21	55.54	56.51	59.91	63.75	67.58	71.64	
2"		105.63	111.97	59.34	85.65	75.04	80.00	81.39	86.72	85.85	91.01	98.85	104.79	111.08	
3"		183.05	194.03	102.83	157.47	137.57	146.87	149.47	159.47	178.76	189.49	210	222.60	235.96	
4"		293.64	311.26	164.96	260.07	226.91	242.41	246.74	263.41	315.68	334.63	373.8	396.23	420.01	
6"		570.12	604.32	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
8"		901.90	956.01	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	

Source: Phelan Pinon Hills Community Service District billing records

Note: July 1, 2020 rate increase was deferred until February 1, 2021 due to COVID

## Phelan Pinon Hills Community Services District Water Customer Demographics Last Ten Fiscal Years

### Customer by Type

Connection Type	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Residential	6,719	6,735	6,753	6,780	6,800	6,847	6,925	7,013	7,088	7,150
Commercial	51	51	49	42	67	71	74	77	80	80
Industrial	4	4	4	7	4	7	11	14	21	21
Other	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>6,774</b>	<b>6,790</b>	<b>6,806</b>	<b>6,806</b>	<b>6,871</b>	<b>6,925</b>	<b>7,010</b>	<b>7,104</b>	<b>7,189</b>	<b>7,251</b>

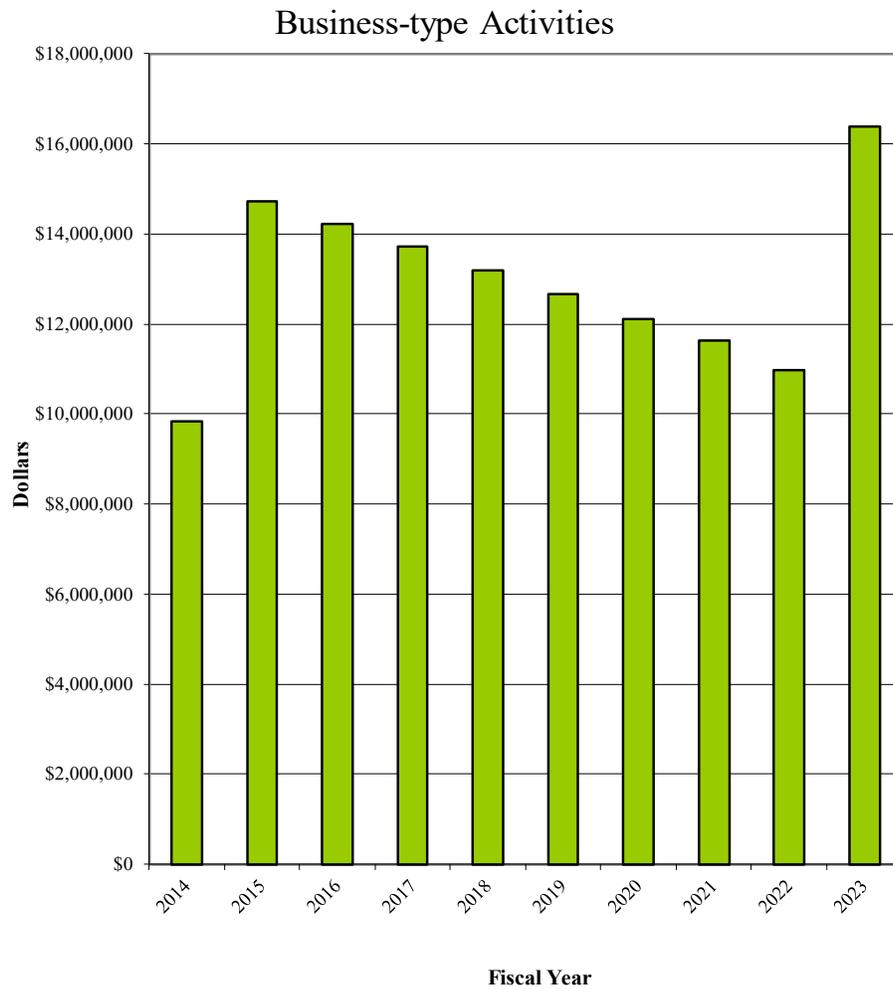
### Ten Largest System Users

Customer	Percent of System Use	Percent of System Revenues	Customer Type
Snowline JUSD	6.85%	4.54%	Institutional
CSI Electrical Constructors, Inc.	0.97%	1.38%	Commercial
El Charro Water LLC	0.22%	0.30%	Commercial
Myog Cha (Grace) Pak	0.20%	0.21%	Residential
County of San Bernardino Dept of Public Works	0.19%	0.32%	Residential
Conan Trust	0.18%	0.19%	Residential
Rodolfo Frausto Sanchez & Gasenia	0.16%	0.10%	Residential
Barry Tuck	0.14%	0.14%	Residential
Pacific Water Trucks	0.13%	0.21%	Residential
Christine Chung	0.13%	0.14%	Residential
<b>Totals</b>	<b>9.17%</b>	<b>7.53%</b>	

Source: Phelan Pinon Hills Community Service District billing records

**Phelan Pinon Hills Community Services District  
Ratios of Outstanding Debt  
Last Ten Fiscal Years**

Fiscal Year	Business-type Activities	Total Debt	Per Capita	As a Share of Personal Income	
				Total	Business-type Activities
2014	\$ 9,845,414	9,845,414	409.24	1.43%	1.43%
2015	14,711,230	14,711,230	610.25	2.14%	2.14%
2016	14,219,582	14,219,582	588.46	1.80%	1.80%
2017	13,715,100	13,715,100	566.15	1.55%	1.55%
2018	13,194,348	13,194,348	541.82	1.45%	1.45%
2019	12,657,814	12,657,814	516.31	1.33%	1.33%
2020	12,104,985	12,104,985	489.58	1.21%	1.21%
2021	11,620,158	11,620,158	463.73	1.03%	1.03%
2022	10,965,483	10,965,483	433.14	0.88%	0.88%
2023	16,380,032	16,380,032	642.25	1.00%	1.00%



**Source:** Phelan Pinon Hills Community Service District audited financial statements

**Phelan Pinon Hills Community Services District**  
**Debt Service Ratio**  
**Last Ten Fiscal Years**

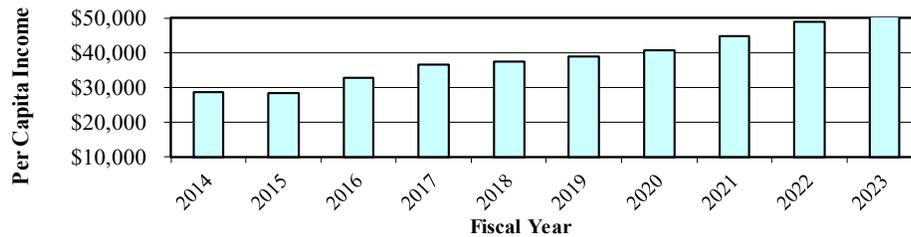
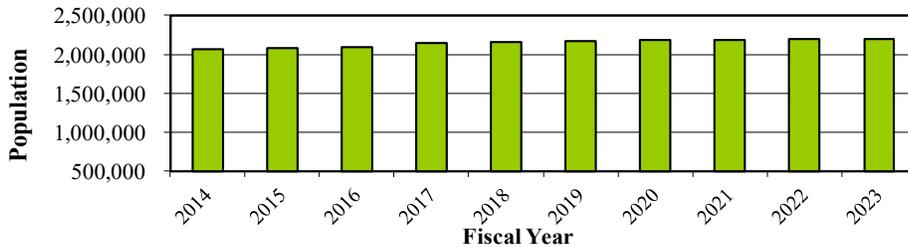
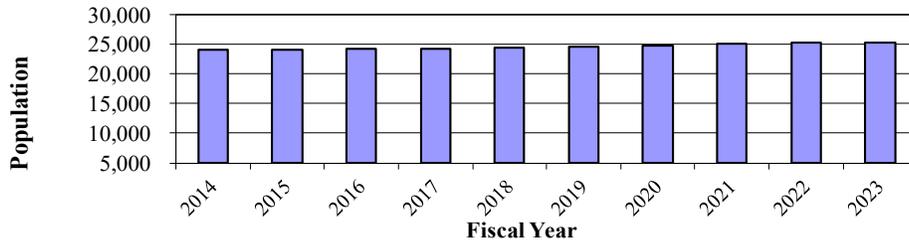
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Gross Revenues:										
Water Fund Revenues	\$ 4,479,295	4,908,496	5,188,112	6,291,341	6,550,084	6,705,659	7,277,074	8,472,683	8,799,614	8,556,149
Total Revenue	4,479,295	4,908,496	5,188,112	6,291,341	6,550,084	6,705,659	7,277,074	8,472,683	8,799,614	8,556,149
Operating Expenses:										
Water Fund Expenses	(4,862,383)	(5,104,683)	(4,120,250)	(4,070,611)	(4,016,927)	(4,521,993)	(5,069,095)	(6,137,875)	(7,360,006)	(9,708,234)
Less Depreciation	1,229,221	1,257,916	1,274,450	1,476,403	1,924,171	2,010,956	1,980,658	1,885,592	1,796,263	1,895,488
Less GASB 68 Pension (Inc)Exp	-	(21,177)	(211,715)	(188,823)	64,989	42,168	(143,873)	83,417	(1,140,515)	892,200
Total Water Fund Expenses	(3,633,162)	(3,867,944)	(3,057,515)	(2,783,031)	(2,027,767)	(2,468,869)	(3,232,310)	(4,168,866)	(6,704,258)	(6,920,546)
Net Revenues Water Fund	846,133	1,040,553	2,130,597	3,508,310	4,522,317	4,236,790	4,044,764	4,303,817	2,095,356	1,635,603
Senior and Parity Debt Service										
2002 Water Facilities	199,077	198,779	198,470	198,151	197,820	189,146	188,999	-	-	-
2012 Water Rights Acquisition	268,852	351,719	350,061	349,925	349,787	327,651	330,825	331,294	331,774	221,504
2014 Solar Project	-	150,150	357,591	357,591	357,591	329,919	357,592	-	-	-
2014 Hwy 138	-	13,231	26,462	35,943	26,461	26,461	26,462	26,462	26,461	26,252
2021 Loan Refinance	-	-	-	-	-	-	-	522,222	382,892	393,377
2022 Civic Center	-	-	-	-	-	-	-	-	-	188,440
Combined Total Annual Debt	\$ 467,929	713,879	932,584	941,610	931,659	873,177	903,878	879,978	741,127	829,573
Debt Service Coverage (times)	1.81	1.46	2.28	3.73	4.85	4.85	4.47	4.89	2.83	1.97

Source: Phelan Pinon Hills Community Service District audited financial statements

## Phelan Pinon Hills Community Services District Demographic and Economic Statistics Last Ten Fiscal Years

County of San Bernardino<sup>(2)</sup>

Year	Phelan & Piñon Hills Population (1)	Unemployment Rate	Population	Median Single-Family Home Price	Personal Income per Capita/ Median Household Income
2014	24,058	9.9%	2,068,610	180,270	28,583
2015	24,107	8.1%	2,085,669	216,570	28,454
2016	24,164	5.8%	2,088,371	230,180	32,747
2017	24,225	6.2%	2,140,096	248,000	36,578
2018	24,352	5.8%	2,160,256	266,250	37,477
2019	24,516	4.2%	2,174,938	290,000	38,781
2020	24,725	3.9%	2,180,085	315,000	40,537
2021	25,058	9.2%	2,181,654	350,000	44,831
2022	25,316	5.0%	2,194,710	401,000	48,950
2023	25,316	4.5%	2,193,656	455,000	64,514



**Sources:** California Department of Finance and California Labor Market Info

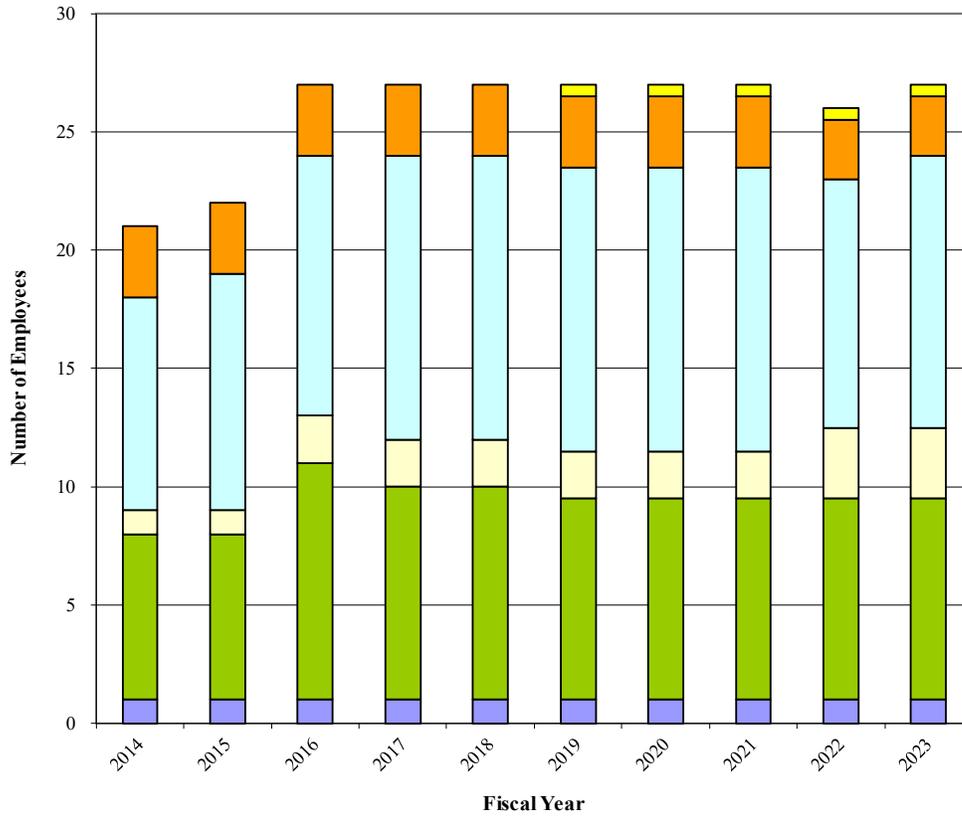
**Notes:**

- (1) Data is derived from the 2010 census and adjusted for the average population per meter connection. The District has chosen to use this methodology since the District believes that it provides the best approximation of area population.
- (2) Only County data is updated annually. Therefore, the District has chosen to use its data since the District believes that the County data is representative of the conditions and experience of the District: Website for State of California, Employment Development Department, San Bernardino County Profile

## Phelan Pinon Hills Community Services District Operating and Capacity Indicators – By Function Last Ten Fiscal Years

District Employees by Department

Department	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General Manager	1	1	1	1	1	1	1	1	1	1
Administration	7	7	10	9	9	9	8.5	8.5	8.5	8.5
Engineering	1	1	2	2	2	2	2	2	3	3
Water Operations	9	10	11	12	12	12	12	12	11	11.5
Parks & Recreation	3	3	3	3	3	3	3	3	3	2.5
Street Lighting	0	0	0	0	0	0	0	0	0	0
Solid Waste	0	0	0	0	0	1	0.5	0.5	0.5	0.5
	21	22	27	27	27	27	27	27	26	27



Source: Phelan Pinon Hills Community Services District Records

**Phelan Pinon Hills Community Services District  
Miscellaneous Statistics  
June 30, 2023**

**Water System:**

Number of Pressure Zones	17
Miles of Water Main	353
Reservoirs	35
Wells	14
Booster Stations	25
Booster Pumps	69
Pressure Reducing Stations	32
Service Connections (Meters)	7,251

**Parks and Recreation Facilities:**

Number of Parks	2
Number of Community Centers	2
Number of Senior Centers	2

**Street Lighting:**

Number of Street Lights	92
Number of Lights at RR Crossings	1

**Solid Waste and Recycling:**

Number of Residential Customers	5,189
Number of Commercial Customers	110

**Misc. Statistical Information**

Population	25,504
Service Area	128 square miles
Employees	27 Full-time
Enterprise Fund Budget 2021/2022	9,459,996
Government Fund Budget 2021/2022	920,157
Capital Budget 2021/2022	305,300

**Source:** Phelan Pinon Hills Community Services District Records

# **Report on Internal Controls and Compliance**





**C.J. Brown & Company CPAs**  
An Accountancy Corporation

Christopher J. Brown, CPA, CGMA  
Jonathan Abadesco, CPA  
Jeffrey Palmer

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(657) 214-2307

**Independent Auditor's Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

Board of Directors  
Phelan Piñon Hills Community Services District  
Phelan, California

We have audited, in accordance with the 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, the financial statements of the Phelan Piñon Hills Community Services District (District), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 8, 2023.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Independent Auditor's Report on Internal Controls Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards*, continued**

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*C.J. Brown & Company, CPAs*

**C.J. Brown & Company CPAs**  
Cypress, California  
November 8, 2023