

GOSHEN COMMUNITY SERVICES DISTRICT

AUDITED FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2018



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JUNE 30, 2018**

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**GOSHEN COMMUNITY SERVICES DISTRICT
OFFICIAL ROSTER
JUNE 30, 2018**

Board of Directors/Administration

<u>Name</u>	<u>Title</u>
Darrel Key	President
Helen Gozalez	Vice-President
Kevin Bell	Director
Stephen Palermo	Director
Carmen Valdez	Director
Manuel Fleming	Manager/Secretary/Treasurer

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Goshen Community Services District
Goshen, California

Report on the Financial Statements

We have audited the accompanying statement of net position of the Goshen Community Services District (the "District"), as of June 30, 2018, and the related statement of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the California Code of Regulations, Title 2, Section 1131.2, State Controller's Minimum Audit Requirements for California Special Districts, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of the District as of June 30, 2018, and the changes in its net position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 5 - 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2020, 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 the 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.

Harshwal & Company LLP

Oakland, California
March 14, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information)

**GOSHEN COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018**

The intent of the "management's discussion and analysis" is to provide highlights of the District's financial activities for the fiscal year ended June 30, 2018. This should be considered in conjunction with the independent auditor's report and the basic financial statements of the District.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Goshen Community Services District's basic financial statements. The financial statements included are comprised of two components: 1) Basic financial statements, and 2) Notes to the financial statements.

Basic financial statements - The financial statements are designed to provide a broad overview of the Goshen Community Services District's finances in a manner similar to a private-sector business.

The Statement of Net Position presents information on all the assets and liabilities, with the difference between the two reported as net assets. Net assets may serve as an indicator of financial position. However, as a not-for-profit operation, net assets mostly serve as an indication of carryforward and should remain fairly constant.

The Statement of Revenues, Expenses, and Changes in Net Position presents information on how the Goshen Community Services District's net assets changed during the most recent fiscal year.

The Statement of Cash Flows presents relevant information about the cash receipts and cash payments for the most recent financial year and shows whether they stem from operations or other sources. It helps users determine the District's ability to generate revenue and meet obligations in the future.

Notes to the financial statements - The notes provide additional information that is needed to fully understand the data provided in the basic financial statements.

Financial analysis - Total assets increased by approximately \$88,000 during the year due primarily to current year increase in cash and cash equivalents, receivables, and other of approximately \$222,000 and a decrease in net property, plant, and equipment of approximately \$158,000. The decrease in net property, plant, and equipment was due to annual depreciation. Total liabilities decreased by approximately \$157,000 during the year due primarily to scheduled principal and interest payments and decrease in accounts payable. Net position increased by approximately \$245,000 during the year due to the above. There was no change in sewer service rates during the year; however, there was a overall decrease in the total operating revenue of approximately \$557,000, Most notable was a decrease in Permits and Reimbursable income. Assessments revenue from the Landscaping & Lighting District was consistent and did not change significantly from the prior year.

The following is a fee schedule of monthly charges for the year ended June 30:

	<u>2018</u>	<u>2017</u>
Residential	\$ 42 per EDU	\$ 42 per EDU
Commercial/Industrial	\$ 50 per EDU	\$ 50 per EDU
Availability	\$ 15 per parcel	\$ 15 per parcel

**GOSHEN COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018**

Long-term debt activity - There were current year principal repayments in the amount of \$65,689. There was no new debt entered into during the year.

ADDITIONAL INFORMATION

For additional information concerning the District, interested parties may contact:

Manuel Fleming, Office Manager
Goshen Community Services District
6678 Avenue 308 and Road 67
P. O. Box 2
Goshen, CA 93227-0002
559-651-0323
mfleming.goshencsd@yahoo.com

	<u>2018</u>	<u>2017</u>	<u>Change</u>
CONDENSED STATEMENT OF NET POSITION			
Cash, receivables, and other	\$ 3,427,458	\$ 3,205,775	\$ 221,683
Restricted assets	392,160	367,555	24,605
Capital assets	<u>8,452,973</u>	<u>8,611,343</u>	<u>(158,370)</u>
Total assets	<u>12,272,591</u>	<u>12,184,673</u>	<u>87,918</u>
Debt and other	<u>2,186,976</u>	<u>2,343,807</u>	<u>(156,831)</u>
Net Position			
Restricted for debt service and reserves	392,160	367,555	24,605
Net investment in capital assets	6,470,001	6,424,343	45,658
Unrestricted	<u>3,223,454</u>	<u>3,048,968</u>	<u>174,486</u>
Total net position	<u>10,085,615</u>	<u>9,840,866</u>	<u>244,749</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$12,272,591</u>	<u>\$12,184,673</u>	<u>\$ 87,918</u>

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Operating revenues			
Sewer service revenues	\$ 821,076	\$ 898,500	\$ (77,424)
Permit revenues	7,213	185,866	(178,653)
Other operating revenues	<u>117,944</u>	<u>418,493</u>	<u>(300,549)</u>
Total operating revenues	946,233	1,502,859	(556,626)
Total operating expenses	759,066	1,076,990	(317,924)
Total nonoperating revenues/(expenses)	<u>11,236</u>	<u>444</u>	<u>10,792</u>
Change in net position	<u>\$ 198,403</u>	<u>\$ 426,313</u>	<u>\$ (227,910)</u>

BASIC FINANCIAL STATEMENTS

**GOSHEN COMMUNITY SERVICES DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2018**

	2018
ASSETS	
Current assets	
Cash and cash equivalents (Note 2)	\$ 3,004,639
Accounts receivable - customers, net (Note 1(G))	95,040
Due from CalTrans	324,489
Prepaid and other assets	3,290
Total current assets	3,427,458
Restricted assets	
Debt service funds	383,120
Reserve funds	9,040
Total restricted assets (Note 2 and Note 8)	392,160
Capital assets	
Property, plant, and equipment, net (Note 4)	8,138,091
Excess capacity (Note 5)	314,882
Total capital assets	8,452,973
Total assets	12,272,591
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	
LIABILITIES	
Current liabilities	
Accounts payable	3,280
Accrued payroll and taxes	919
Note payable - USDA, interest accrued	1,983
Note payable - USDA, current portion (Note 7)	1,426
Total current liabilities	7,608
Current liabilities payable from restricted assets	
Revenue bonds, interest accrued	135,048
Revenue bonds, current portion (Note 6)	68,000
Total current liabilities payable from restricted assets	203,048
Long-term liabilities	
Revenue bonds, net of current portion (Note 6)	1,914,972
Note payable - USDA, net of current portion (Note 7)	50,763
Total long-term liabilities	1,965,735
Total liabilities	2,176,391
DEFERRED INFLOWS OF RESOURCES	
Customer deposits	10,585
Total deferred inflows of resources	10,585
NET POSITION	
Restricted (Note 8)	392,160
Net investment in capital assets	6,470,001
Unrestricted	3,223,454
Total net position	10,085,615
Total liabilities, deferred inflows of resources, and net position	\$12,272,591

The notes to the basic financial statements are an integral part of this statement.

**GOSHEN COMMUNITY SERVICES DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018**

	2018
<i>OPERATING REVENUES</i>	
Sewer	
Residential service	\$ 618,954
Commercial and industrial service	202,122
Permits	7,213
Availability	30,691
Reimbursable income	1,906
Lighting and landscaping assessments	61,342
Other	24,005
Total operating revenues	946,233
<i>OPERATING EXPENSES</i>	
General, administrative, and other	350,348
Treatment fees	250,347
Depreciation	158,371
Total operating expenses	759,066
Operating income/(loss)	187,167
<i>NON-OPERATING REVENUES/(EXPENSES)</i>	
Property taxes - County allocation	5,500
Investment income	30,596
Installment - Tulare County Redevelopment Agency	53,000
Penalties	21,569
Interest expense	(99,429)
Total nonoperating revenues/(expenses)	11,236
CHANGE IN NET POSITION	198,403
NET POSITION - BEGINNING OF YEAR	9,840,866
NET POSITION - RESTATEMENT (NOTE 12)	46,346
NET POSITION - BEGINNING, RESTATED	9,887,212
NET POSITION - END OF YEAR	\$10,085,615

The notes to the basic financial statements are an integral part of this statement.

**GOSHEN COMMUNITY SERVICES DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018**

	2018
<u>Cash Flows From Operating Activities</u>	
Cash receipts from customers and other sources	\$ 1,002,511
Cash payments to suppliers of goods or services	(530,472)
Cash payments to employees for services	<u>(110,824)</u>
Net cash provided by/(used in) operating activities	<u>361,215</u>
<u>Cash Flows from Capital and Related Financing Activities</u>	
Installment income - Tulare County Redevelopment Agency	53,000
Principal payments on long-term debt	(65,001)
Interest expense on long-term debt	<u>(96,634)</u>
Net cash provided by/(used in) capital and related financing activities	<u>(108,635)</u>
<u>Cash Flows from Non-Capital Financing Activities</u>	
Property tax income	5,500
Principal payments on long-term debt	(688)
Interest expense on long-term debt	<u>(2,796)</u>
Net cash provided by/(used in) non-capital financing activities	<u>2,016</u>
<u>Cash Flows From Investing Activities</u>	
Interest income	<u>30,596</u>
Net cash provided by/(used in) investing activities	<u>30,596</u>
Net increase/(decrease) in cash and cash equivalents	285,192
Cash and cash equivalents - beginning of year	<u>3,111,607</u>
Cash and cash equivalents - end of year	<u>\$ 3,396,799</u>
<u>Reconciliation to Statement of Net Position</u>	
Unrestricted cash and cash equivalents	\$ 3,004,639
Restricted cash and cash equivalents	<u>392,160</u>
Total cash and cash equivalents	<u>\$ 3,396,799</u>

The notes to the basic financial statements are an integral part of this statement.

**GOSHEN COMMUNITY SERVICES DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018**

Reconciliation of operating income/(loss) to net cash provided by/(used in) operating activities

Operating income/(loss)	\$ 187,167
Adjustments to reconcile operating income/(loss) to net cash provided by/(used in) operating activities	
Depreciation expense	158,370
Decrease in receivables	69,175
Increase in due from CalTrans	(12,896)
Increase in prepaid and other assets	(3,290)
Decrease in accounts payable	(39,472)
Increase in accrued payroll and taxes	<u>2,161</u>
Net cash provided by/(used in) operating activities	<u>\$ 361,215</u>

Supplemental Disclosures

Cash payments of interest	\$ <u>99,747</u>
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The notes to the basic financial statements are an integral part of this statement.

**GOSHEN COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of measurement focus, accounting, and financial statement presentation

The financial statements of the Goshen Community Services District (the "District") have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). The Government Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below.

All activities of the District are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The accounting and financial reporting treatment applied to the District is determined by its measurement focus. The transactions of the District are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the balance sheet. Net position (i.e. total assets net of total liabilities) are segregated into "net investment in capital assets," "restricted," and "unrestricted" components.

B. Reporting Entity

The District, located in the Central San Joaquin Valley of California, was formed in 1958 as a community services district under the Community Services District Law, sections 61,000-61,934 of the Government Code of the State of California. The District was empowered to supply inhabitants of the surrounding community, the unincorporated community of Goshen, with water for domestic use, irrigation, sanitation, industrial use, fire protection, and recreation. The District currently operates and manages a sewer system which provides service to users in the unincorporated community of Goshen.

The District's basic financial statements include the accounts of all its operations. The District evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the District's reporting entity, as set forth in GASB Statement No. 14, "The Financial Reporting Entity," as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units," and as amended by GASB Statement No. 61, "The Financial Reporting Entity: Omnibus," include whether:

- The organization is legally separate (can sue and be sued in its name)
- The District holds the corporate powers of the organization
- The District appoints a voting majority of the organization's board
- The District is able to impose its will on the organization
- The organization has the potential to impose a financial benefit/burden on the District
- There is fiscal dependency by the organization on the District

**GOSHEN COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONT'D)

B. Reporting Entity - (Cont'd)

Based on these criteria, the District is the primary government and has two component units, the Goshen Public Finance Authority and the Goshen Landscape and Lighting Maintenance District, as discussed below.

C. Component units

In conformity with accounting principles generally accepted in the United States of America, the financial statements of the District's component units have been included in the financial reporting entity as blended component units.

The Goshen Public Finance Authority (the "Authority") is reported as a blended unit of the District's operation because its purpose entirely to provide proceeds used to construct the sewer project of the District. The Authority was formed by the District's Board of Directors through a Board Resolution in 1997 and is governed by a Board of Directors appointed by the District. Separate financial statements for the Authority are not available.

In May of 2010, the Landscape and Lighting Maintenance District (the "Lighting District") was formed with the purpose to plan, provide, and maintain in-tract landscaping, street lighting, and park maintenance for a development known as "Park Village." The Lighting District is reported as a blended unit due to the District and Lighting District having the same governing bodies. Separate financial statements for the Lighting District are not available.

D. Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

E. Cash and cash equivalents

Cash and cash equivalents, for purposes of the statement of cash flows, include restricted and unrestricted cash on hand or deposit, and held in the County Treasurer's Pool, the State of California's Local Agency Pool, or other financial institutions, with original maturity dates of less than three (3) months. Deposits in either pool can be liquidated at any time and therefore is considered a "cash equivalent" when preparing the financial statements.

F. Restricted assets

Restricted assets represent cash deposits maintained in accordance with resolutions and formal actions of the District, or by agreement for the purpose of funding certain debt service payments, and improvements and extensions to the wastewater treatment system.

**GOSHEN COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONT'D)

G. Accounts receivable

Customer receivables represent various volume, availability, and permit fees earned, but not yet collected. The District utilizes the allowance method of accounting for uncollectible or doubtful accounts based on historical experience. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded as income when received. All receivables are expected to be collected within one year. At June 30, 2018, an allowance of \$175,000 was recorded.

H. Due from CalTrans

CalTrans receivables represent amounts due from CalTrans for the relocation of sewer lines as a result of highway construction.

I. Long-term obligations and costs

Long-term obligations are reported at face value, net of any applicable premiums and discounts.

J. Property taxes

Secured property taxes attach an enforceable lien based on the March 1 delinquency list. The County of Tulare bills and collects the taxes, both secured and unsecured, on behalf of the District. Property tax revenues are recognized by the District when received.

K. Capital assets

Property, plant, and equipment which are acquired or constructed for general use by the District are capitalized at cost and are presented net of accumulated depreciation. Depreciation is computed using the straight-line method of depreciation over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Property and equipment	3-15 years
Park improvements	10-30 years
Sewer system	75 years
Land	0 years

Property acquired with federal funds is considered to be owned by the District while the federal government maintains a reversionary interest in the property acquired. Repairs, maintenance, and minor alterations are charged to expense as incurred. Costs of acquiring excess or additional capacity is capitalized as an intangible asset with an indefinite life. Depreciation expense on assets financed with capital contributed by other governments (grants) is charged to expense. Land is not depreciated. Contributed capital assets are recorded at fair value on the date of the contribution.

**GOSHEN COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONT'D)

L. Long-lived assets

Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the fair value of the asset and long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less cost to sell. For the year ended June 30, 2018 no assets were impaired.

M. Revenues and rate structure

Revenues from wastewater treatment services are recognized on the accrual basis as earned. Services are supplied to customers under a rate structure designed to produce revenues sufficient to provide for operating and maintenance costs, capital outlay, debt service, reserves and debt service coverage. Revenues for treatment services, permit fees, landscaping and lighting, and availability charges are defined as operating revenues. All other revenues, such as property taxes and interest income, are defined as non-operating.

N. Reimbursable income

Reimbursable income represents revenue earned by the District related to CalTrans relocation projects and other various projects for which the District incurs an expense which is ultimately payable by a third party.

O. Installment - Tulare County Redevelopment Agency

During the year ended June 30, 1998, the District entered into an Installment Sale Agreement, whereby the District agreed to pay \$3.0M for certain constructed assets. Simultaneously, a Pledge Agreement was entered into between the District and the Tulare County Redevelopment Agency ("TCRA") whereby TCRA agreed to make payment of certain tax increment revenues in the amount of \$53,000 arising the TCRA's Goshen Redevelopment Project.

P. Special and extraordinary items

Extraordinary items are transactions or other events that are both unusual in nature and infrequent in occurrence. Special items are significant transactions or other events within the control of management that are either unusual in nature or infrequent in occurrence. If such items exist during the reporting period, they are reported separately in the statement of revenues, expenses and changes in net position. For the year ended June 30, 2018 there was no special or extraordinary items.

Q. Net position

Net Position is classified in the following three components:

- **Net investment in capital assets** - The category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.

**GOSHEN COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONT'D)

Q. Net position - (Cont'd)

- **Restricted** - The category presents external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments, and restrictions imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted** - This category represents all other net position of the District that do not meet the definition of "net investment in capital assets" or "restricted net position."

When both restricted and unrestricted resources are available for use, unrestricted resources are used only after the restricted resources are depleted.

R. Concentration of credit risk

Financial instruments that potentially subject the District to significant concentrations of credit risk consist principally of cash, to the extent balances exceed limits that are insured by the Federal Deposit Insurance Corporation, cash equivalents, and accounts receivable. Cash equivalents are invested in money market funds of a major U.S. financial services company. The District maintains some of its cash accounts in commercial banks. At June 30, 2018, cash on deposit may have exceeded the federally insured limit.

NOTE 2 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of June 30, 2018 are classified in the accompanying statement of net position as follows:

	<u>Amount</u>
Cash and cash equivalents - County Pool	\$ 1,899,965
Cash and cash equivalents - Bank of the West	1,104,574
Restricted cash equivalents - Bond trustee	383,120
Restricted cash - County Pool	9,040
Petty cash - County Pool	100
Total cash and cash equivalents	<u>\$ 3,396,799</u>

California Government Code authorizes districts to invest cash in obligations of the U.S. Treasury and U.S. agencies, certificates of deposit, banker's acceptances, repurchase agreements, insured money market accounts, commercial paper, county investment pools, and the State Treasurer's Local Agency Investment Fund.

**GOSHEN COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2 - CASH AND CASH EQUIVALENTS - (CONT'D)

The District's cash investments in the Tulare County Investment Pool ("County Pool") are carried at cost which approximates fair value. All pooled funds held by County Pool are regulated by the California Government Code, Tulare County Ordinance 3157, and the Treasurer's Statement of Investment Policy dated January 2005. The comprehensive annual financial report for the County Pool is available to the public and may be accessed through the Tulare County website or by contacting the Tulare County Treasurer directly. Funds deposited with the County Pool are not subject to credit risk.

The Tulare County Investment Pool has three (3) goals:

- The first and primary goal is safety and the preservation of capital.
- The second goal is the continual maintenance of liquidity and ability to convert sufficient securities to cash to cover the cash flow of Tulare County and all of its investment agencies during the next six (6) months.
- The third goal is yield, or earning a reasonable rate of return representative of current market conditions and the present phase of the market cycle while remaining in compliance with all State laws and the Treasurer's written investment policy.

At June 30, 2018, the entire amount of cash held by the bond trustee was invested in money market funds, which bear an AAA rating, held by U.S. Bank. The funds are invested in securities issued by the U.S. government or one of its agencies or instrumentalities, commercial paper, non-convertible corporate debt securities, repurchase agreements, certificates of deposit, time deposits, and bankers' acceptances. Funds deposited with the U.S. government and its agencies are not subject to credit risk.

At June 30, 2018, the balance held at Bank of the West was \$1,077,505. Of this bank balance, \$250,000 was covered by the Federal Deposit Insurance Corporation and \$827,505 was insured and collateralized (i.e., collateralized with securities held by the pledging financial institution at 110 percent of deposits, in accordance with the State of California Government Code, deemed to be held in the District's name). Accordingly, deposits held at Bank of the West are not subject to credit risk.

NOTE 3 - RESTRICTED ASSETS

Certain resources set aside for repayment of revenue bonds, or to satisfy certain restrictive covenants of the bond agreements, are classified as restricted assets on the balance sheet because their use is limited by those bond covenants. The "debt service fund" accounts are used to segregate resources accumulated for debt service payments over the next twelve months. The "reserve funds" are required by the U.S. Department of Agriculture ("USDA") and are used to accumulate resources to be used for contingencies, improvements, betterments, and extensions of the system; the District establishes these amounts annually.

**GOSHEN COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 4 - CAPITAL ASSETS AND DEPRECIATION

The following is a summary of changes in capital assets for the year ended June 30, 2018:

	<u>Balance July 01, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2018</u>
Capital assets, not being depreciated:				
Park land	\$ 450,000	\$ -	\$ -	\$ 450,000
Total Capital assets, not being depreciated	<u>450,000</u>	<u>-</u>	<u>-</u>	<u>450,000</u>
Plant, property and equipment:				
Sewer system	9,733,191	-	-	9,733,191
Property and equipment	233,197	-	-	233,197
Park improvements	<u>432,328</u>	<u>-</u>	<u>-</u>	<u>432,328</u>
Total plant, property, and equipment	10,398,716	-	-	10,398,716
Accumulated depreciation	<u>(2,552,255)</u>	<u>(158,370)</u>	<u>-</u>	<u>(2,710,625)</u>
Capital assets, net	<u>\$ 8,296,461</u>	<u>\$ (158,370)</u>	<u>\$ -</u>	<u>\$ 8,138,091</u>

NOTE 5 - EXCESS CAPACITY

The following is a summary of changes in excess capacity for the year ended June 30, 2018:

	<u>Balance July 01, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2018</u>
Excess capacity	<u>\$ 314,882</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 314,882</u>

NOTE 6 - REVENUE BONDS

During 1997, the Authority was authorized to issue \$3 million in revenue bonds. The bonds were purchased by the USDA over a two-year period during 1998 and 1999 and the proceeds used to construct a portion of the District's sewer construction project. At the same time, the District and the Authority entered into an Installment Sale Agreement whereby the District would purchase the constructed assets for \$3 million. The balance would be paid in installments from certain sewer revenues arising from the District's operations over a 40-year period coinciding with the scheduled debt service payments. Because the Authority is a blended component unit and thus reported as part of the primary government, the Authority's debt and assets are reported as belonging to the primary government, or the District. Simultaneously, a Pledge Agreement was entered into between the Authority and the TCRA whereby TCRA agreed to make payments of certain tax increment revenues arising from TCRA's Goshen Redevelopment Project under and pursuant to Chapter 4 of Part 1 of Division 24 of the California Health and Safety Code to be used by the Authority for scheduled principal and interest repayments.

**GOSHEN COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 6 - REVENUE BONDS - (CONT'D)

The following is a summary of changes in revenue bonds for the year ended June 30, 2018:

	July 01, 2017 (After, Prior period adjustment)	Proceeds	Repayments	June 30, 2018	Balance due within one year
Revenue Bonds	\$ <u>2,047,973</u>	\$ <u>-</u>	\$ <u>65,001</u>	\$ <u>1,982,972</u>	\$ <u>68,000</u>

The revenue bonds accrue interest at 4.5%, payable semi-annually, with annual principal repayments. The following is a schedule of the debt service requirements to maturity as of June 30, 2018:

Year Ended June 30,	Principal Amount	Interest
2019	\$ 68,000	\$ 83,181
2020	71,000	84,576
2021	74,000	81,314
2022	77,000	77,916
2023	81,000	74,361
Thereafter	<u>1,611,972</u>	<u>564,687</u>
Total	<u>\$ 1,982,972</u>	<u>\$ 966,035</u>

NOTE 7 - NOTE PAYABLE - USDA

During the fiscal year ended June 30, 2004, the District entered into a settlement agreement with a third party in the amount of \$87,000. The District was awarded a grant from USDA in the amount of \$21,750 and a loan in the amount of \$65,250 to fund the settlement. The USDA loan is dated May 21, 2004 in the original amount of \$65,250, with interest at 4.375%, secured by the sewer system, due in annual principal and interest payments of \$3,484 beginning May 21, 2005, through May 21, 2044.

The following is a summary of changes in note payable for the year ended June 30, 2018:

	July 01, 2017 (After, Prior period adjustment)	Proceeds	Repayments	June 30, 2018	Balance due within one year
Note payable	\$ <u>52,877</u>	\$ <u>-</u>	\$ <u>688</u>	\$ <u>52,189</u>	\$ <u>1,426</u>

The following is a schedule of the debt service requirements to maturity as of June 30, 2018:

Year Ended June 30,	Principal Amount	Interest
2019	\$ 1,426	\$ 2,058
2020	1,257	2,227
2021	1,318	2,166
2022	1,376	2,108
2023	1,436	2,048
Thereafter	<u>45,376</u>	<u>23,303</u>
Total	<u>\$ 52,189</u>	<u>\$ 33,910</u>

**GOSHEN COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 8 - RESTRICTED NET POSITION

Restricted net position consisted of the following as of June 30, 2018:

	<u>Amount</u>
Restricted by USDA - capacity purchase and system depreciation	\$ 9,040
Restricted by creditors - debt service	<u>383,120</u>
Total	<u><u>\$ 392,160</u></u>

NOTE 9 - COMPONENT UNITS

The following is a condensed statement of net position of the Authority as of June 30, 2018:

	<u>Amount</u>
ASSETS	
Due from Goshen Community Services District	\$ <u>1,982,972</u>
Total assets	<u>1,982,972</u>
LIABILITIES AND NET POSITION	
Revenue bonds payable	1,982,972
Unrestricted net position	<u>-</u>
Total liabilities and net position	<u><u>\$ 1,982,972</u></u>

The following is a condensed statement of revenues, expenses, and changes in net position of the Authority for the year ended June 30, 2018:

	<u>Amount</u>
<i>REVENUES</i>	
Transfers from Goshen Community Services District	\$ <u>161,952</u>
Total revenues	<u>161,952</u>
<i>EXPENSES</i>	
Interest payments	96,951
Principal payments	<u>65,001</u>
Total expenses	<u>161,952</u>
Changes in net position	-
Net position - beginning of year	<u>-</u>
Net position - end of year	<u><u>\$ -</u></u>

**GOSHEN COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 9 - COMPONENT UNITS - (CONT'D)

The following is a condensed statement of cash flows of the Authority for the year ended June 30, 2018:

	<u>Amount</u>
<i><u>Cash flows from operating activities</u></i>	
Transfers from Goshen Community Services District	\$ <u>161,952</u>
Net cash provided by operating activities	<u>161,952</u>
<i><u>Cash flows from capital financing activities</u></i>	
Interest expense on long-term debt	(96,951)
Principal payments on long-term debt	<u>(65,001)</u>
Net cash used in capital financing activities	<u>(161,952)</u>
Increase in cash and cash equivalents	-
Cash and cash equivalents - beginning of year	<u>-</u>
Cash and cash equivalents - end of year	<u><u>\$ -</u></u>

The following is a condensed statement of net position of the Lighting District as of June 30, 2018:

	<u>Amount</u>
ASSETS	
Cash and cash equivalents	\$ <u>290,018</u>
NET POSITION	
Unrestricted	<u><u>\$ 290,018</u></u>

**GOSHEN COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 9 - COMPONENT UNITS - (CONT'D)

The following is a condensed statement of revenues, expenses, and changes in net position of the Lighting District for the year ended June 30, 2018:

	<u>Amount</u>
<i>REVENUES</i>	
Assessments	\$ 61,342
Permits	-
Total revenues	61,342
<i>EXPENSES</i>	
General, administrative, and other	26,546
Total expenses	26,546
Changes in net position	34,796
Net position - beginning of year	255,222
Net position - end of year	\$ 290,018

The following is a condensed statement of cash flows of the Lighting District for the year ended June 30, 2018:

	<u>Amount</u>
<i><u>Cash flows from operating activities</u></i>	
Cash receipts from customers	\$ 61,342
Cash payments to suppliers of goods or services	(26,546)
Net cash provided by operating activities	34,796
Increase in cash and cash equivalents	34,796
Cash and cash equivalents - beginning of year	255,222
Cash and cash equivalents - end of year	\$ 290,018

NOTE 10 - RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has obtained coverage from commercial insurance companies in order to limit its exposure to financial losses. Expenses and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. No accruals have been recorded at June 30, 2018.

**GOSHEN COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 11 - DEFERRED COMPENSATION

The District has adopted the Goshen Community Services District Deferred Compensation Plan through CalPERS. All District employees are eligible to participate in this plan and contribute to the plan in the form of salary deferrals. There are no District matching or discretionary contributions to the plan.

NOTE 12 - RESTATEMENT OF NET POSITION

During the year ended June 30, 2018, the District found that the loans, accrued interest on loans and accounts receivable balances were not properly recorded on its financial statements. As a result, following prior period adjustments have been made in the District's financial statements of the primary government to record the proper loans, accrued interest on loans and accounts receivable and the net position accordingly:

Beginning net position as previously reported at June 30, 2017	\$ 9,840,866
Prior period adjustments:	
Note payable - USDA	2,628
Revenue bonds payable	139,027
Note payable - USDA, interest accrued	(1,983)
Revenue bonds payable, interest accrued	(85,841)
Accounts receivable	<u>(7,485)</u>
Total prior period adjustments	<u>46,346</u>
Net position as restated, July 1, 2017	<u><u>\$ 9,887,212</u></u>

COMPLIANCE SECTION

**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***

To the Board of Directors of
Goshen Community Services District
Goshen, 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 Goshen Community Services District ("the District"), which comprise the statement of net position as of June 30, 2018, and the related statement of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 14, 2020.

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 our 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 over financial reporting 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 misstatements, 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 statements 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*.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Harshwal & Company LLP

Oakland, California
March 14, 2020