

POPLAR COMMUNITY SERVICES DISTRICT

FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2018

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INDEPENDENT AUDITOR'S REPORT

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

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Poplar Community Services District as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter

Required Supplementary Information

Management has omitted the *Management's Discussion and Analysis (MD&A)* that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

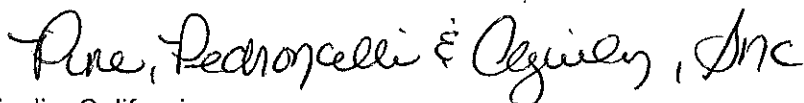
Other Matters

Other Information

The combining fund financial statements are the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional audit procedures, including comparing and reconciling such information directly to the underlying accounting and other records to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 5, 2019, on our consideration of Poplar Community Services District's internal control over financial reporting and on our tests of its compliance with certain provision 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 Poplar Community Services District's internal control over financial reporting and compliance.



Visalia, California
September 5, 2019

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

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$	512,275
Restricted Cash		363,693
Accounts Receivable		3,311
Grant Receivable		24,628
Prepaid Expense		8,396
Interfund Receivable		5,892

Total Current Assets		<u>918,195</u>
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NON CURRENT ASSETS

Capital Assets:		
Nondepreciable		1,210,631
Depreciable, Net		<u>1,682,429</u>

Total Non Current Assets		<u>2,893,060</u>
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TOTAL ASSETS		<u><u>3,811,255</u></u>
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LIABILITIES

Accounts Payable		55,592
Compensated Absences		1,286
Interfund Payable		5,892
Notes Payable, Current Portion		<u>19,000</u>

Total Current Liabilities		81,770
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NON CURRENT LIABILITIES

Notes Payable, Net of Current Portion		<u>360,498</u>
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TOTAL LIABILITIES		<u><u>442,268</u></u>
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NET POSITION

Investment in Capital Assets, Net		2,513,562
Restricted		344,693
Unrestricted		<u>510,732</u>

TOTAL NET POSITION	\$	<u><u>3,368,987</u></u>
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The accompanying notes are an integral part of these financial statements.

**POPLAR COMMUNITY SERVICES DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

OPERATING REVENUES	
Customer Service Fees	\$ 497,296
Rental Income	1,386
	<hr/>
Total Operating Revenue	498,682
	<hr/>
OPERATING EXPENSES	
Salaries and Wages	100,531
Employee Benefits	43,698
Repairs and Maintenance	116,466
Insurance	14,274
Professional and Specialized Services	91,236
Office Expense	59,814
Utilities	73,422
Depreciation	100,465
Assessment	20,615
Miscellaneous	8,247
Travel	4,641
	<hr/>
Total Operating Expenses	633,409
	<hr/>
Operating Loss	(134,727)
	<hr/>
NON-OPERATING REVENUES (EXPENSES)	
Intergovernmental Revenue	185,411
Property Taxes	23,160
Rental Income	7,900
Investment Income	12,248
Miscellaneous Income	2,462
Interest Expense	(22,809)
	<hr/>
Total Non-Operating Revenues (Expenses)	208,372
	<hr/>
Change in Net Position	73,645
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NET POSITION, Beginning of the Year	3,295,342
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NET POSITION, End of the Year	\$ 3,368,987
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The accompanying notes are an integral part of these financial statements.

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

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in Net Position	\$ 73,645
Adjustments to Reconcile Change in Net Position to Net Cash Flows from Operating Activities:	
Depreciation	100,465
Increase in Grant Receivable	(2,454)
Decrease in Interfund Receivables	76,651
Increase in Accounts Payable	15,906
Decrease in Interfund Payables	<u>(76,651)</u>
Net Cash Provided by Operating Activities	<u>187,562</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Acquisition of Equipment	<u>(215,382)</u>
Net Cash Used by Investing Activities	<u>(215,382)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Principal Payments on Long-Term Debt	<u>(39,790)</u>
Net Cash Used by Financing Activities	<u>(39,790)</u>
Net Decrease in Cash	(67,610)
Cash - Beginning of Period	<u>943,578</u>
CASH - END OF PERIOD	<u><u>\$ 875,968</u></u>
RECONCILIATION TO BALANCE SHEET:	
Unrestricted Cash	<u>363,693</u>
Restricted Cash	<u>512,275</u>
	<u><u>\$ 875,968</u></u>

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

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

SUPPLEMENTARY INFORMATION:

Non-Cash Financing Activity:	
Cost of Property and Equipment Acquisitions	\$ 215,382
Less Financed Acquisitions	<u> -</u>
Net Cash Paid for Property and Equipment	<u><u>\$ 215,382</u></u>
Interest Paid	<u><u>\$ 22,042</u></u>

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

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

1. Summary of Significant Accounting Policies

Organization of the District

Poplar Community Services District (the District) is a California Special District providing water and sewer service to approximately 580 residences in the community of Poplar, California. It was founded in 1978-79 and is governed by a board of directors. The District also administers the Park and Recreation Fund for the community of Poplar.

Reporting Entity

The District's basic financial statements include the accounts of all of 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 Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, 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
- exclusion of the organization would render the financial statements incomplete or misleading

Based on these criteria, the District has no component units. Additionally, the District is not a component unit of any other reporting entity as defined by the GASB statements.

Fund Accounting

The operations of the District are accounted for in an enterprise fund. An enterprise fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where costs (expenses, including depreciation) of providing services to the general public on a continuing basis are financed through user charges.

Basis of Accounting

The District, as an enterprise fund, accounts for its operations in a manner similar to private business enterprises. The intent of the governing body is that the costs (including depreciation and amortization) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The focus of enterprise fund measurement is based upon determination of operating income, changes in net assets, financial position, and cash flows. The District's enterprise fund financial statements are presented on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

The District's operating revenues are those that result from providing services and producing and delivering goods, and include all other revenues that do not result from transactions defined by GASB Statement No. 9 as capital and related financing, non-capital financing, or investing activities.

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

1. Summary of Significant Accounting Policies (Continued)

Basis of Accounting

Under the provision of Governmental Accounting Standards Board (GASB) Pronouncement No. 20, the District has elected to follow all GASB pronouncements and Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, except for those that conflict with GASB pronouncements.

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

Budgets and Budgetary Accounting

By state law, the District's governing board must approve a tentative budget no later than July 1 and adopt a final budget no later than September 15. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements.

These budgets are revised by the District's governing board during the year to give consideration to unanticipated income and expenditures.

Operating and Non-operating Revenues

Operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the funds. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as property taxes and investment earnings, result from non-exchange transactions or ancillary activities.

Cash Equivalents and Investments

The District considers all highly liquid investments (including restricted cash and investments) with maturities of three months or less when purchased to be cash equivalents. This includes bank accounts and deposits with the County of Tulare (County).

Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Interfund Activity

Interfund activity results from reimbursements or transfers between funds. Reimbursements occur when one fund incurs a cost, charges the appropriate benefitting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers in and transfers out are netted and presented as a single "Transfers" line on the Statement of Activities. Similarly, interfund receivables and payables are netted and presented as "Interfund Receivable" and "Interfund Payable" on the Statement of Net Position.

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

1. Summary of Significant Accounting Policies (Continued)

Capital Assets

Capital assets are stated at cost. Maintenance and repairs are charged to expenses as incurred and improvements and renewals are capitalized.

Depreciation is calculated on the straight-line method over estimated useful lives which range from five to forty years.

Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as a liability of the District. The District allows employees to accumulate vacation days up to a maximum of 30 days. Employees do not gain a vested right to accumulated sick leave; therefore, accumulated sick leave benefits are not recognized as a liability of the District, but recorded as expenditures in the year they are utilized.

Net Position

Net position comprise the various net earnings from operating income, non-operating revenues and expenses and capital contributions. Net position is classified in the following three components:

Net Investment in Capital Assets - This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted - This component of net position consists of constraints imposed by creditors (such as through debt covenants), 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 "restricted" or "net investment in capital assets".

Accounts Receivable

The District deems all accounts receivable collectible; accordingly, no allowance for doubtful accounts is reported. If amounts become uncollectible, they will be charged to operations when the determination is made.

Property Taxes

Secured property taxes attach as an enforceable lien on property as of January 1. These taxes are levied from July 1 through June 30. Taxes are payable in two installments on November 1 and February 1 and are collected December 10 through April 10. Unsecured property taxes are payable in one installment on or before August 31.

The County of Tulare bills and collects the taxes for the District. Property tax revenues are recognized by the District when received, except at year-end, an accrual is made when property taxes are received soon enough thereafter to pay liabilities of the current period.

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

1. Summary of Significant Accounting Policies (Continued)

Management's Review

In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through September 5, 2019, the date the financial statements were available to be issued.

2. Cash and Investments

Cash and investments as of June 30, 2018 are classified in the accompanying financial statements as follows:

	<u>Water</u>	<u>Sewer</u>	<u>Parks & Recreation</u>	<u>Total</u>
Deposits:				
Cash on Hand and in Banks	\$ (10,046)	\$ 46,007	\$ 15,528	\$ 51,489
Pooled Funds:				
Cash in County Treasury Investment Fund	<u>480,885</u>	<u>268,671</u>	<u>74,923</u>	<u>824,479</u>
Total Cash and Investments	<u>\$ 470,839</u>	<u>\$ 314,678</u>	<u>\$ 90,451</u>	<u>\$ 875,968</u>

Restricted and unrestricted cash and cash investments at June 30, 2018, were as follows:

	<u>Water</u>	<u>Sewer</u>	<u>Parks & Recreation</u>	<u>Total</u>
Restricted for:				
Debt Service	\$ -	\$ 19,000	\$ -	\$ 19,000
Connection Fees	286,865	57,828	-	344,693
Unrestricted	<u>183,974</u>	<u>237,850</u>	<u>90,451</u>	<u>512,275</u>
	<u>\$ 470,839</u>	<u>\$ 314,678</u>	<u>\$ 90,451</u>	<u>\$ 875,968</u>

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

2. Cash and Investments (Continued)

The District's cash in the Tulare County Treasury is pooled with other entities and invested in several types of investments. The total of Tulare County Investments as of June 30, 2018 was as follows:

<u>Credit Rating</u>	<u>Book Value</u>	<u>Percentage of Portfolio</u>
AAA	\$ 290,050,417	19%
A-1+/A-1 (Short-Term Rating)	50,558,417	3%
AA	667,594,910	43%
A	273,383,759	18%
BBB*	10,650,834	1%
Collateralized CD	10,000,000	1%
Not Rated**	100,346,283	6%
Cash ***	141,894,531	9%
 Total	 \$ <u>1,544,479,151</u>	 <u>100%</u>

* Securities rated in the BBB category by S&P are rated A- or the equivalent or better by at least one NRSRO.

**The portion of the portfolio that is invested in LAIF, the State of California pooled investment fund, is not rated. The remaining portion not rated comprises individual securities with ratings of A- or the equivalent or better by at least one NRSRO.

***Fully collateralized in accordance with California government code.

Investments Authorized by the District's Investment Policy

The District's Investment Policy only authorizes investment in the local government investment pool administered by the County of Tulare, California. The District's investment policy does not contain any specific provisions intended to limit the District's exposure to interest rate risk, credit risk, and concentration of credit risk.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As of year-end, the weighted average maturity of the investments contained in the County of Tulare investment pool is approximately 711 days.

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 maturity date of each investment.

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

2. Cash and Investments (Continued)

<u>Investment Type</u>	<u>Amount</u>	<u>Maturity Date</u>
County Investment Pool	\$ <u>824,479</u>	711 days
Total	\$ <u><u>824,479</u></u>	

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. The County of Tulare Investment Pool does not have a rating provided by a nationally recognized statistical rating organization.

Concentration of Credit Risk

The investment policy of the County contains a limitation on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments in any one issuer that represents 10% or more of Total County's investments.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institutions, 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 County's investment policy do 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 market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies.

Investment in State Investment Pool

The County is a voluntary participant in the State Treasurer's Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the Authority's investment in this pool is reported at amounts based upon the County'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.

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

2. Cash and Investments (Continued)

The Tulare County Treasurer is authorized to invest in the following:

A listing of the securities owned by Tulare County is shown below:

	<u>Portfolio Composition</u>			<u>% Permitted by Policy</u>
	<u>Book Value</u>	<u>Market Value</u>	<u>% of Portfolio</u>	
U.S. Treasuries	\$ 311,541,353	\$ 304,673,008	20%	100%
Federal Agencies	220,317,283	214,663,778	14%	
Agency Mortgage Backed Securities (MBS)	24,569,887	23,995,445	2%	75%
U.S. Instrumentalities - Supranationals	79,518,741	78,452,852	5%	30%
Negotiable Certificates of Deposit	118,796,836	118,093,501	8%	30%
Floating Rate Negotiable CD	9,460,000	9,460,000	1%	30%
Bank CD	10,000,000	10,000,000	1%	30%
Medium-Term/ Corporate Notes	291,660,133	286,371,825	19%	30%
Municipal Obligations	12,540,000	12,521,802	1%	30%
Asset Backed Securities	87,144,831	86,504,355	6%	20%
Commercial Paper	19,893,417	19,889,400	1%	40%
Local Agency Investment Fund	65,000,000	65,000,000	4%	\$65 million
CAMP	151,139,426	151,139,426	10%	50%
Money Market Funds	1,002,711	1,002,712	<1%	15%
Money Market Accounts	20,045,539	20,045,539	1%	50%
Cash	121,848,994	121,848,994	8%	100%
	<u>\$ 1,544,479,151</u>	<u>\$ 1,523,662,637</u>	<u>100%</u>	

All cash is payable to the District upon demand. Poplar Community Services District's portion of pooled funds at June 30, 2018 was \$824,479.

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

3. Capital Assets

A schedule of changes in capital assets for the year ended June 30, 2018 is shown below:

	Balance 07/01/17	Additions	Deletions	Balance 06/30/18
<u>Water Fund</u>				
Nondepreciable capital assets:				
Land	\$ 27,956	\$ -	\$ -	\$ 27,956
Construction in Progress	-	187,880	-	187,880
Total nondepreciable capital assets	<u>27,956</u>	<u>187,880</u>	<u>-</u>	<u>215,836</u>
Depreciable capital assets:				
Buildings	1,570,518	-	-	1,570,518
Equipment	13,425	20,782	-	34,207
Vehicles	1,500	-	-	1,500
Total depreciable capital assets	<u>1,585,443</u>	<u>20,782</u>	<u>-</u>	<u>1,606,225</u>
Less accumulated depreciation:				
Buildings	1,027,150	22,912	-	1,050,062
Equipment	13,425	1,484	-	14,909
Vehicles	1,500	-	-	1,500
Total accumulated depreciation	<u>1,042,075</u>	<u>24,396</u>	<u>-</u>	<u>1,066,471</u>
Net depreciable capital assets	<u>543,368</u>	<u>(3,614)</u>	<u>-</u>	<u>539,754</u>
Total Capital Assets, Net	<u>\$ 571,324</u>	<u>\$ 184,266</u>	<u>\$ -</u>	<u>\$ 755,590</u>

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

3. Capital Assets (Continued)

	Balance 07/01/17	Additions	Deletions	Balance 06/30/18
<u>Sewer Fund</u>				
Nondepreciable capital assets:				
Land	\$ 601,373	\$ -	\$ -	\$ 601,373
Construction in Progress	177,084	-	-	177,084
Total nondepreciable capital assets	778,457	-	-	778,457
Depreciable capital assets:				
Buildings	2,788,721	-	-	2,788,721
Equipment	61,970	6,720	-	68,690
Vehicles	1,500	-	-	1,500
Total depreciable capital assets	2,852,191	6,720	-	2,858,911
Less accumulated depreciation:				
Buildings	1,597,230	70,577	-	1,667,807
Equipment	42,082	4,847	-	46,929
Vehicles	1,500	-	-	1,500
Total accumulated depreciation	1,640,812	75,424	-	1,716,236
Net depreciable capital assets	1,211,379	(68,704)	-	1,142,675
Total Capital Assets, Net	\$ 1,989,836	\$ (68,704)	\$ -	\$ 1,921,132

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

3. Capital Assets (Continued)

	Balance 07/01/17	Additions	Deletions	Balance 06/30/18
<u>Parks and Recreation Fund</u>				
Nondepreciable capital assets:				
Land	\$ 216,338	\$ -	\$ -	\$ 216,338
Total nondepreciable capital assets	216,338	-	-	216,338
Depreciable capital assets:				
Equipment	4,922	-	-	4,922
Total depreciable capital assets	4,922	-	-	4,922
Less accumulated depreciation:				
Equipment	4,277	645	-	4,922
Total accumulated depreciation	4,277	645	-	4,922
Net depreciable capital assets	645	(645)	-	-
Total Capital Assets, Net	\$ 216,983	\$ (645)	\$ -	\$ 216,338

4. Notes Payable

Bond Payable to United States Department of Agriculture authorized and issued for construction of sewer system. Payable in semiannual installment including interest at 5.0% per annum, original note was \$642,000, due October 1, 2031, secured by the District's sewer system.

	\$ 379,498
Less Current Portion	19,000
Long-Term Portion	\$ 360,498

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

4. Notes Payable (Continued)

The debt payment schedule for the fiscal year ended June 30, 2018 is as follows:

Fiscal Year Ending June 30,	Sewer	
	Principal	Interest
2019	\$ 19,000	\$ 18,563
2020	20,000	17,588
2021	21,000	16,563
2022	23,000	15,463
2023 - 2027	132,000	58,588
2028 - 2032	164,498	21,594
Total	\$ <u>379,498</u>	\$ <u>148,359</u>

Changes in Long-Term Liabilities

Long-Term liability activity for the fiscal year ended June 30, 2018 was as follows:

	Balance 07/01/17	Additions	Reductions	Balance 06/30/18
United States Department of Agriculture	\$ 20,788	\$ -	\$ 20,788	\$ -
United States Department of Agriculture	398,500	-	19,002	379,498
	\$ <u>419,288</u>	\$ <u>-</u>	\$ <u>39,790</u>	\$ <u>379,498</u>

5. Risk Management

The District has purchased commercial insurance policies for various risks of loss related to torts; theft, damage or destruction of assets; wrongful acts; injuries to employees; and employee health and life. Payments of premiums for these policies are recorded as expenses of the District. Insurance settlements have not exceeded insurance coverage in any of the past three years. There are no significant reductions in coverage compared to the prior years.

6. Subsequent Event

On July 26, 2018 the District was notified that it had received approval of the grant application for the 2018 Well Line Replacement Project from the United States Department of Agriculture of a loan not to exceed \$499,000 and grant not to exceed \$1,358,000 for a total of \$1,358,499.

OTHER INDEPENDENT AUDITOR'S REPORT

**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
Poplar Community Services District
Poplar, 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 business-type activities of Poplar Community Services District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Poplar Community Services District's basic financial statements, and have issued our report thereon dated September 5, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Poplar Community Services 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Poplar Community Services District's internal control. Accordingly, we do not express an opinion on the effectiveness of Poplar Community Services 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.

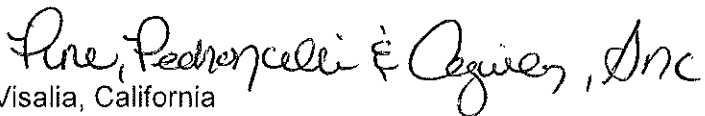
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not 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 Poplar Community Services 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*.

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.


Visalia, California
September 5, 2019

OTHER SUPPLEMENTARY INFORMATION

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information that is required by other entities.

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

ASSETS	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Parks and Recreation Fund</u>	<u>Total</u>
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 183,974	\$ 237,850	\$ 90,451	\$ 512,275
Restricted Cash	286,865	76,828	-	363,693
Accounts Receivable	1,316	1,995	-	3,311
Grants Receivable	24,628	-	-	24,628
Prepaid Expenses	4,198	4,198	-	8,396
Interfund Receivable	5,878	-	14	5,892
Total Current Assets	<u>506,859</u>	<u>320,871</u>	<u>90,465</u>	<u>918,195</u>
NON CURRENT ASSETS				
Capital Assets:				
Nondepreciable	215,836	778,457	216,338	1,210,631
Depreciable, Net	539,754	1,142,675	-	1,682,429
Total Non Current Assets	<u>755,590</u>	<u>1,921,132</u>	<u>216,338</u>	<u>2,893,060</u>
TOTAL ASSETS	<u>1,262,449</u>	<u>2,242,003</u>	<u>306,803</u>	<u>3,811,255</u>
LIABILITIES				
Accounts Payable	46,254	8,919	419	55,592
Compensated Absences	1,286	-	-	1,286
Interfund Payable	-	5,892	-	5,892
Notes Payable, Current Portion	-	19,000	-	19,000
Total Current Liabilities	<u>47,540</u>	<u>33,811</u>	<u>419</u>	<u>81,770</u>
NON CURRENT LIABILITIES				
Notes Payable, Net of Current Portion	-	360,498	-	360,498
TOTAL LIABILITIES	<u>47,540</u>	<u>394,309</u>	<u>419</u>	<u>442,268</u>

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

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

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Parks and Recreation Fund</u>	<u>Total</u>
NET POSITION				
Investment in Capital Assets, Net \$	755,590	\$ 1,541,634	\$ 216,338	\$ 2,513,562
Restricted	286,865	57,828	-	344,693
Unrestricted	<u>172,454</u>	<u>248,232</u>	<u>90,046</u>	<u>510,732</u>
TOTAL NET POSITION	<u>\$ 1,214,909</u>	<u>\$ 1,847,694</u>	<u>\$ 306,384</u>	<u>\$ 3,368,987</u>

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

**POPLAR COMMUNITY SERVICES DISTRICT
COMBINING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Parks and Recreation Fund</u>	<u>Total</u>
Operating Revenues:				
Customer Service Fees	\$ 232,967	\$ 264,119	\$ 210	\$ 497,296
Rental Income	-	-	1,386	1,386
Total Operating Revenues	<u>232,967</u>	<u>264,119</u>	<u>1,596</u>	<u>498,682</u>
Operating Expenses:				
Salaries and Wages	50,168	50,363	-	100,531
Employee Benefits	22,031	21,667	-	43,698
Repairs and Maintenance	77,879	34,481	4,106	116,466
Insurance	7,137	7,137	-	14,274
Professional and Specialized Fees	38,797	52,236	203	91,236
Office Expense	30,421	29,393	-	59,814
Utilities	46,172	27,250	-	73,422
Depreciation	24,396	75,424	645	100,465
Permits and Assessments	24,482	(3,867)	-	20,615
Miscellaneous	4,242	4,005	-	8,247
Travel	2,314	2,327	-	4,641
Total Operating Expenses	<u>328,039</u>	<u>300,416</u>	<u>4,954</u>	<u>633,409</u>
Operating Loss	<u>(95,072)</u>	<u>(36,297)</u>	<u>(3,358)</u>	<u>(134,727)</u>
Non-Operating Revenues (Expenses):				
Intergovernmental Revenue	185,411	-	-	185,411
Property Taxes	23,160	-	-	23,160
Rental Income	-	7,900	-	7,900
Investment Income	6,840	4,306	1,102	12,248
Miscellaneous Income	2,457	5	-	2,462
Interest Expense	(1,604)	(21,205)	-	(22,809)
Non-Operating Revenues (Expenses), Net	<u>216,264</u>	<u>(8,994)</u>	<u>1,102</u>	<u>208,372</u>
Change in Net Position	<u>121,192</u>	<u>(45,291)</u>	<u>(2,256)</u>	<u>73,645</u>

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

**POPLAR COMMUNITY SERVICES DISTRICT
COMBINING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Parks and Recreation Fund</u>	<u>Total</u>
NET POSITION, Beginning of the Year	\$ <u>1,093,717</u>	\$ <u>1,892,985</u>	\$ <u>308,640</u>	\$ <u>3,295,342</u>
NET POSITION, End of the Year	\$ <u><u>1,214,909</u></u>	\$ <u><u>1,847,694</u></u>	\$ <u><u>306,384</u></u>	\$ <u><u>3,368,987</u></u>

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

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

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Parks and Recreation Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Change in Net Position	\$ 121,192	\$ (45,291)	\$ (2,256)	\$ 73,645
Adjustments to Reconcile Change in Net Position to Net Cash Flows from Operating Activities:				
Depreciation	24,396	75,424	645	100,465
Increase in Grant Receivable	(2,454)	-	-	(2,454)
(Increase) Decrease in Interfund Receivable	72,413	4,238	-	76,651
Decrease in Accounts Payable	30,053	(14,566)	419	15,906
(Increase) Decrease in Interfund Payable	<u>(4,238)</u>	<u>(72,413)</u>	<u>-</u>	<u>(76,651)</u>
Net Cash Provided (Used) by Operating Activities	<u>241,362</u>	<u>(52,608)</u>	<u>(1,192)</u>	<u>187,562</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Acquisition of Equipment	<u>(208,662)</u>	<u>(6,720)</u>	<u>-</u>	<u>(215,382)</u>
Net Cash Used by Investing Activities	<u>(208,662)</u>	<u>(6,720)</u>	<u>-</u>	<u>(215,382)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:				
Principal Payments on Long-Term Debt	<u>(20,788)</u>	<u>(19,002)</u>	<u>-</u>	<u>(39,790)</u>
Net Cash Used by Financing Activities	<u>(20,788)</u>	<u>(19,002)</u>	<u>-</u>	<u>(39,790)</u>
Net Increase (Decrease) in Cash	11,912	(78,330)	(1,192)	(67,610)
Cash - Beginning of Period	<u>458,927</u>	<u>393,008</u>	<u>91,643</u>	<u>943,578</u>
CASH - END OF PERIOD	<u><u>\$ 470,839</u></u>	<u><u>\$ 314,678</u></u>	<u><u>\$ 90,451</u></u>	<u><u>\$ 875,968</u></u>

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

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

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Parks and Recreation Fund</u>	<u>Total</u>
RECONCILIATION TO BALANCE SHEET:				
Unrestricted Cash	\$ 183,974	\$ 237,850	\$ 90,451	\$ 512,275
Restricted Cash	<u>286,865</u>	<u>76,828</u>	<u>-</u>	<u>363,693</u>
	<u>\$ 470,839</u>	<u>\$ 314,678</u>	<u>\$ 90,451</u>	<u>\$ 875,968</u>
 SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION				
Non-Cash Financing Activity:				
Cost of Property and Equipment Acquisitions	\$ 208,662	\$ 6,720	\$ -	\$ 215,382
Less Financed Acquisitions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Cash Paid for Property	<u>\$ 208,662</u>	<u>\$ 6,720</u>	<u>\$ -</u>	<u>\$ 215,382</u>
 Interest Paid	 <u>\$ 1,604</u>	 <u>\$ 20,438</u>	 <u>\$ -</u>	 <u>\$ 22,042</u>

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