

**LONDON COMMUNITY SERVICES DISTRICT**

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**REPORT ON AUDIT OF FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**June 30, 2021**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors  
London Community Services District  
Dinuba, California

We have audited the accompanying financial statements of London Community Services District (the District) as of and for the year ended June 30, 2021 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. 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 District as of June 30, 2021 and the respective changes in financial 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*

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

*Cuttone & Mastro*

Fresno, California  
September 12, 2022

**LONDON COMMUNITY SERVICES DISTRICT**  
**STATEMENT OF NET POSITION**  
**June 30, 2021**  
(With Summarized Comparative Information for June, 30 2020)

	<b>2021</b>			<b>2020</b>
	<b>Sewer</b>	<b>Water</b>	<b>Total</b>	<b>Total</b>
<b><u>ASSETS</u></b>				
<b>Current Assets:</b>				
Cash and cash equivalents	\$ 587,615	\$ 3,152,609	\$ 3,740,224	\$ 3,647,348
Receivables:				
Accounts	26,041	22,539	48,580	27,406
Grant	-	61,464	61,464	61,554
Prepaid expenses	<u>3,207</u>	<u>3,207</u>	<u>6,414</u>	<u>6,030</u>
Total Current Assets	<u>616,863</u>	<u>3,239,819</u>	<u>3,856,682</u>	<u>3,742,338</u>
<b>Non-Current Assets:</b>				
Restricted cash	13,783	45,616	59,399	58,742
Capital assets, net of accumulated depreciation	<u>1,568,406</u>	<u>2,785,029</u>	<u>4,353,435</u>	<u>4,407,359</u>
Total Non-Current Assets	<u>1,582,189</u>	<u>2,830,645</u>	<u>4,412,834</u>	<u>4,466,101</u>
 Total Assets	 <u>\$ 2,199,052</u>	 <u>\$ 6,070,464</u>	 <u>\$ 8,269,516</u>	 <u>\$ 8,208,439</u>
<b><u>LIABILITIES</u></b>				
<b>Current Liabilities:</b>				
Accounts payable	\$ 20,287	\$ 60,484	\$ 80,771	\$ 38,139
Compensated absences payable	1,126	1,126	2,252	710
Payroll taxes	3,934	3,933	7,867	964
Interest payable	1,057	-	1,057	1,092
Current portion of long-term debt	<u>3,300</u>	<u>41,467</u>	<u>44,767</u>	<u>44,667</u>
Total Current Liabilities	<u>29,704</u>	<u>107,010</u>	<u>136,714</u>	<u>85,572</u>
<b>Non-Current Liabilities:</b>				
Long-term debt, net of current portion	<u>94,000</u>	<u>912,265</u>	<u>1,006,265</u>	<u>1,051,032</u>
Total Liabilities	<u>123,704</u>	<u>1,019,275</u>	<u>1,142,979</u>	<u>1,136,604</u>
<b><u>NET POSITION</u></b>				
Restricted for debt service	13,783	45,616	59,399	58,742
Net investment in capital assets	1,471,106	1,831,297	3,302,403	3,311,660
Unrestricted funds	<u>590,459</u>	<u>3,174,276</u>	<u>3,764,735</u>	<u>3,701,433</u>
Total Net Position	<u>2,075,348</u>	<u>5,051,189</u>	<u>7,126,537</u>	<u>7,071,835</u>
 Total Liabilities and Net Position	 <u>\$ 2,199,052</u>	 <u>\$ 6,070,464</u>	 <u>\$ 8,269,516</u>	 <u>\$ 8,208,439</u>

See accompanying notes to financial statements.

**LONDON COMMUNITY SERVICES DISTRICT**  
**STATEMENT OF REVENUE, EXPENSE AND CHANGES IN NET POSITION**  
**For the Year Ended June 30, 2021**  
**(With Summarized Comparative Information for June, 30 2020)**

	<b>2021</b>			<b>2020</b>
	<b>Sewer</b>	<b>Water</b>	<b>Total</b>	<b>Total</b>
<b><u>OPERATING REVENUES</u></b>				
Charges for services	\$ 216,447	\$ 220,832	\$ 437,279	\$ 419,675
Late fees and penalties	<u>96</u>	<u>103</u>	<u>199</u>	<u>7,052</u>
Total Operating Revenues	<u>216,543</u>	<u>220,935</u>	<u>437,478</u>	<u>426,727</u>
<b><u>OPERATING EXPENSES</u></b>				
Salaries and wages	31,817	31,817	63,634	57,046
Employee benefits	12,782	12,874	25,656	25,114
Director fees	2,500	2,500	5,000	5,800
Contract services	74,942	30,714	105,656	95,412
Engineer	19,032	14,836	33,868	25,432
Legal and professional services	6,868	9,060	15,928	19,403
Insurance	4,213	4,113	8,326	7,816
Office expense	1,952	1,976	3,928	5,714
Repairs and maintenance	2,870	2,157	5,027	26,202
Utilities	49,195	49,496	98,691	104,309
Travel	488	383	871	1,365
Depreciation	65,521	110,458	175,979	178,968
Other	<u>21,503</u>	<u>5,176</u>	<u>26,679</u>	<u>24,281</u>
Total Operating Expenses	<u>293,683</u>	<u>275,560</u>	<u>569,243</u>	<u>576,862</u>
(Loss) from Operations	<u>(77,140)</u>	<u>(54,625)</u>	<u>(131,765)</u>	<u>(150,135)</u>
<b><u>NON-OPERATING REVENUES (EXPENSES)</u></b>				
Interest income	8,753	43,804	52,557	73,095
Property tax revenue	-	16,733	16,733	15,745
Litigation settlement	-	963	963	3,750,000
Litigation fees	-	-	-	(1,276,761)
Interest expense	<u>(3,179)</u>	<u>-</u>	<u>(3,179)</u>	<u>(3,283)</u>
Total Non-Operating Revenues (Expenses)	<u>5,574</u>	<u>61,500</u>	<u>67,074</u>	<u>2,558,796</u>
<b>CONTRIBUTED CAPITAL</b>	<u>-</u>	<u>119,393</u>	<u>119,393</u>	<u>6,972</u>
<b>CHANGE IN NET POSITION</b>	<u>(71,566)</u>	<u>126,268</u>	<u>54,702</u>	<u>2,415,633</u>
<b>NET POSITION, BEGINNING OF THE YEAR</b>	<u>2,146,914</u>	<u>4,924,921</u>	<u>7,071,835</u>	<u>4,696,979</u>
<b>NET POSITION, END OF THE YEAR</b>	<u>\$ 2,075,348</u>	<u>\$ 5,051,189</u>	<u>\$ 7,126,537</u>	<u>\$ 7,071,835</u>

See accompanying notes to financial statements.

**LONDON COMMUNITY SERVICES DISTRICT**  
**STATEMENT OF CASH FLOW**  
**For the Year Ended June 30, 2021**  
**(With Summarized Comparative Information for June, 30 2020)**

	<b>2021</b>			<b>2020</b>
	<b>Sewer</b>	<b>Water</b>	<b>Total</b>	<b>Total</b>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>				
Cash receipts from customers and users	\$ 204,630	\$ 211,674	\$ 416,304	\$ 413,217
Cash paid for goods and services	(177,930)	(71,022)	(248,952)	(308,914)
Cash paid for employees, taxes, and related benefits	(46,816)	(46,803)	(93,619)	(89,507)
Cash paid for litigation fees	-	-	-	(1,276,761)
Litigation proceeds received	-	963	963	3,750,000
Net cash provided (used) by operating activities	<u>(20,116)</u>	<u>94,812</u>	<u>74,696</u>	<u>2,488,035</u>
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u></b>				
Contributed capital received	-	119,483	119,483	-
Purchase of capital assets	(1,331)	(120,724)	(122,055)	(126,061)
Principal payment of long-term debt	(3,200)	(41,467)	(44,667)	(44,567)
Interest paid on long-term debt	<u>(3,214)</u>	<u>-</u>	<u>(3,214)</u>	<u>(3,316)</u>
Net cash (used) by capital and related financing activities	<u>(7,745)</u>	<u>(42,708)</u>	<u>(50,453)</u>	<u>(173,944)</u>
<b><u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u></b>				
Cash received from property taxes	-	16,733	16,733	15,745
Net cash provided by noncapital financing activities	<u>-</u>	<u>16,733</u>	<u>16,733</u>	<u>15,745</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES:</u></b>				
Interest received	8,753	43,804	52,557	73,095
Net cash provided by investing activities	<u>8,753</u>	<u>43,804</u>	<u>52,557</u>	<u>73,095</u>
Increase (decrease) in cash and cash equivalents	(19,108)	112,641	93,533	2,402,931
Cash and cash equivalents, beginning of year	<u>620,506</u>	<u>3,085,584</u>	<u>3,706,090</u>	<u>1,303,159</u>
Cash and cash equivalents, end of year	<u>\$ 601,398</u>	<u>\$3,198,225</u>	<u>\$3,799,623</u>	<u>\$3,706,090</u>
<b>Reconciliation of (Loss) from Operations to Net Cash Provided (Used) by Operating Activities</b>				
(Loss) from operations	\$ (77,140)	\$ (54,625)	\$ (131,765)	\$ (152,802)
Adjustments to reconcile (loss) from operations to net cash provided by operating activities:				
Depreciation and amortization	65,521	110,458	175,979	181,635
Litigation settlement	-	963	963	3,750,000
Litigation fees	-	-	-	(1,276,761)
(Increase) decrease in:				
Assessments receivable	(11,913)	(9,261)	(21,174)	(13,510)
Prepaid expense	(17)	(367)	(384)	142
Increase (decrease) in:				
Accounts payable	(790)	43,422	42,632	(821)
Compensated absences payable	771	771	1,542	(182)
Payroll taxes	<u>3,452</u>	<u>3,451</u>	<u>6,903</u>	<u>334</u>
Net cash provided (used) by operating activities	<u>\$ (20,116)</u>	<u>\$ 94,812</u>	<u>\$ 74,696</u>	<u>\$ 2,488,035</u>

See accompanying notes to financial statements.

**LONDON COMMUNITY SERVICES DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

**NOTE 1: ORGANIZATION AND DESCRIPTION OF BUSINESS**

London Community Services District (The District) is a California special district that was created on March 28, 1952, upon the approval of the Board of Supervisors of Tulare County. The District was organized to provide and maintain sewer and water operations in the community of London, County of Tulare, State of California. The District is governed by an elected five-member board of directors.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Financial Reporting Entity:** In accordance with the requirements of Statement No. 14, *The Financial Reporting Entity, of the Government Accounting Standards Board (GASB)*, there are no potential component units that should be included with the accompanying financial statements of the District.

**Measurement Focus, Basis of Accounting:** The District is considered a special-purpose government engaged only in business-type activities and uses enterprise fund accounting and reporting. Enterprise fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows.

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the government body is that the cost and expenses of providing goods or services to its customers be financed or recovered primarily through users charges; or where the governing body has decided that periodic determination of revenue earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Enterprise funds are accounted for using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

The significant accounting policies followed are described below. The assets, liabilities, and net position of the District are reported in two funds: the Sewer Fund and the Water Fund. The Sewer and Water Funds account for the sewer and water systems operation in the community of London.

**Cash and Equivalents:** Cash and cash equivalents, for the purposes of the statement of cash flows, includes cash on hand or deposit, and short-term investments with an original maturity of less than three (3) months.

**Accounts Receivable:** Account receivable arise from billings to customers and other agencies for sales of water and other services. The District does not provide an allowance for uncollectible accounts. Historically such write offs have been minimal and are not considered a factor in financial statement presentations.

**Capital Assets:** Capital assets are recorded at cost less accumulated depreciation and updated for additions and retirements during the year. Repairs and maintenance and minor alterations are charged to expense as incurred. Costs which are considered improvements are added to the appropriate capital asset account. Gains and losses on disposition of capital assets are reported and recognized in the year of disposition. The District recognizes depreciation using the straight-line method over the estimated useful lives as follows:

Sewer Plant	10 - 40 years
Water Plant	10 - 40 years
Building and Improvements	20 years
Equipment	10 years
Vehicles	5 years



**LONDON COMMUNITY SERVICES DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**Impairment of Long Lived Assets:** Long lived assets consist primarily of capital assets and other intangible assets. The District reviews long-lived assets for impairment whenever significant events or changes in the business environment indicate that the asset's carrying amount may not be recoverable. If impairment exists, the carrying amount of the long-lived assets is reduced to its estimated fair value, less any costs associated with the final settlement. There was no impairment of the District's long-lived assets for the years ended June 30, 2021 and 2020.

**Net Position:** Net position comprises the various net earnings from operating income, nonoperating revenue and expense and capital contributions. Net position is categorized 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 net position* — This component of net position consists of constraints imposed by creditors (such as through debt covenant), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* — This component of net position consists of net position that do not meet the definition of "restricted" or "net investment in capital assets."

**Operating revenues and expenses:** Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the District. Operating revenues consist primarily of charges for services in the form providing sewer and water services to customers. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from non-exchange transactions or ancillary activities.

**Use of Estimates:** The preparation of financial statements in conformity with generally accepted accounting principles 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

**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 and 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.

**Income Taxes:** The District qualifies for tax-exempt status as an integral part of the State of California or a political subdivision in accordance with Internal Revenue Code (IRC) Section 115. As a result, no tax provisions apply to the District's income.

**Subsequent Events:** Subsequent events have been evaluated as of September 12, 2022 which is the date the financial statements were available to be released.

**LONDON COMMUNITY SERVICES DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

**NOTE 3: CASH AND CASH EQUIVALENTS**

The carrying amount of cash and cash equivalents at June 30, 2021 is as follows:

Union Bank of California		\$ 237,253
Cash on hand		400
Tulare County Investment Pool (TCIP)		<u>3,561,970</u>
		3,799,623
Less: Restricted cash		<u>59,399</u>
Total cash and cash equivalents, unrestricted		\$ <u>3,740,224</u>

**Investments Authorized by the California Government Code:** The table below identifies the investment types that are authorized for the District by the California Government Code. The table also identifies certain provisions of the California Government Code that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One issuer</u>
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%
Negotiable Certificates of Deposits	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base value	None
Medium-Term Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
JPA Pools (other investment pools)	N/A	None	None

**Interest Rate Risk:** Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that would further limit investment maturities as a means of managing its exposure to fair value losses arising from increasing rates.

**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; however, the Tulare County Investment Pool is not rated.

**Concentration of Credit Risk:** Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer of securities. When investments are concentrated in one issuer, this concentration presents a heightened risk of potential loss. The District does not have an investment policy that contains limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code.

**LONDON COMMUNITY SERVICES DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

**NOTE 3: CASH AND CASH EQUIVALENTS, continued**

**Custodial Credit Risk:** Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code 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 deposit 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. At June 30, 2021, the District did not have cash with banks that exceeded federal depository insurance limits.

The custodial risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code does not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of government investment pools such as the Tulare County Investment Pool (TCIP).

**Investment in Tulare County Investment Pool:** The District is considered to be a voluntary participant in the Tulare County Investment Pool (TCIP) which is a government investment pool managed and directed by the Tulare County Treasury Oversight Committee. The balance available for withdrawal is based on the accounting records maintained by TCIP, which are recorded on an amortized cost basis. The District may withdrawal monies upon one-day-notice. The average monthly effective yield for June 30, 2021 was 1.13%. The District's investment in the Tulare County Investment Pool was not subject to credit risk categorization and is carried at amortized cost which approximates fair value.

**NOTE 4: CAPITAL ASSETS**

The following is a summary of changes in the capital assets during the year.

	<b>Balance 6/30/20</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance 6/30/21</b>
<b>Capital Assets Not Being Depreciated:</b>				
Land	\$ 136,089	\$ -	\$ -	\$ 136,089
Construction in progress	61,554	119,393	-	180,947
Total	<u>197,643</u>	<u>119,393</u>	<u>-</u>	<u>317,036</u>
<b>Capital Assets Being Depreciated:</b>				
Sewer plant	2,384,178	-	-	2,384,178
Water plant	3,289,080	-	-	3,289,080
Building and improvements	85,061	-	-	85,061
Equipment	2,262	2,662	-	4,924
Vehicles	23,168	-	-	23,168
Total	5,783,749	2,662	-	5,786,411
<b>Less Accumulated depreciation</b>	(1,574,033)	\$ (175,979)	\$ -	(1,750,012)
<b>Net Capital Assets Being Depreciated</b>	<u>4,209,716</u>			<u>4,036,399</u>
<b>Net Book Value</b>	<u>\$ 4,407,359</u>			<u>\$ 4,353,435</u>

**LONDON COMMUNITY SERVICES DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

**NOTE 5: LONG-TERM LIABILITIES**

A summary of the District's long-term liabilities is as follows:

	<b>June 30, 2020</b>			<b>June 30, 2021</b>	<b>Current Portion</b>	<b>Long-Term Debt</b>
	<b><u>Balance</u></b>	<b><u>Additions</u></b>	<b><u>Reductions</u></b>	<b><u>Balance</u></b>		
United States Department of Agriculture Loan	\$ 100,500	\$ -	\$ 3,200	\$ 97,300	\$ 3,300	\$ 94,000
Safe Water Drinking Loan	<u>995,199</u>	<u>-</u>	<u>41,467</u>	<u>953,732</u>	<u>41,467</u>	<u>912,265</u>
Total	\$ <u>1,095,699</u>	\$ <u>-</u>	\$ <u>44,667</u>	\$ <u>1,051,032</u>	\$ <u>44,767</u>	\$ <u>1,006,265</u>

**United States Department of Agriculture (USDA) Loan:** In 1999, the District board voted to authorize the issuance of Sewer Revenue Bond of 1999 with the USDA through the Rural Utilities Service to help finance improvements related to the Wastewater Treatment and Disposal Plant. The total amount of the bond issued was \$142,000 with an interest rate of 3.25% per annum. Payments are made semi-annual on September 1 and March 1, and will continue until the principal is fully paid. The District has covenanted that it will establish, maintain and collect charges sufficient, from sewer revenues received, to provide a balance on net revenue equal to or greater than the principal and interest payments due and payable within the next succeeding twelve months.

**Safe Water Drinking Loan:** In 2010, the District entered into an agreement with the California Department of Water Resources to meet the safe drinking water standards for the District's domestic water supply. The agreement provided for a total of \$1,244,000 in loan proceeds to the District to help finance improvements to the District's domestic water supply system. The loan is non-interest bearing. Payments are made semi-annually on July 1 and January 1, and will continue until the principal is fully paid.

The debt service requirements on the long-term debt are as follows:

<b><u>Year Ending June 30</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2022	\$ 44,767	\$ 3,162	\$ 47,929
2023	44,967	3,055	48,022
2024	45,067	2,941	48,008
2025	45,267	2,824	48,091
2026	45,467	2,701	48,168
2027-2031	230,235	11,430	241,665
2032-2036	235,734	7,368	243,102
2037-2041	235,130	2,308	237,438
2042-2044	<u>124,398</u>	<u>-</u>	<u>124,398</u>
	\$ <u>1,051,032</u>	\$ <u>35,789</u>	\$ <u>1,086,821</u>

**LONDON COMMUNITY SERVICES DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

**NOTE 6: RESTRICTED ASSETS**

Under the terms of the USDA loan, a separate debt service reserve was required to ensure sufficient funds were available for semiannual payments according to the terms of the loan. The debt service reserve is to be accumulated at the rate of at least one-tenth of the average installment each year until the required level is reached. Once the required level is reached in the debt service reserve, the District is required to continue to deposit one-tenth of the average annual installment per year into a Renewal and Extension Fund. These transfers will continue for the life of the loan.

Under the terms of the Safe Water Drinking Loan, the District was required to establish a reserve fund comprised of \$41,468 for the final two payments of the loan in addition to two semi-annual transfers of \$2,074.

Restricted assets are comprised of the following at June 30, 2021:

USDA loan reserve fund / renewal and extension fund	\$ 13,783
Safe Water Drinking loan reserve fund	<u>45,616</u>
Total	\$ <u>59,399</u>