

SAN MIGUEL COMMUNITY SERVICES DISTRICT

FINANCIAL STATEMENTS

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2018**

**SAN MIGUEL COMMUNITY SERVICES DISTRICT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

TABLE OF CONTENTS

	<u>Page</u>
Table of Contents	i
FINANCIAL SECTION	
Independent Auditor's Report.....	1
Basic Financial Statements:	
Government-Wide Financial Statements	
Statement of Net Position	3
Statement of Activities	4
Fund Financial Statements	
Balance Sheet – Governmental Funds.....	6
Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Position	7
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	8
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities – Governmental Funds	9
Statement of Net Position – Proprietary Funds	10
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds	11
Statement of Cash Flows – Proprietary Funds.....	12
Notes to Basic Financial Statements	14

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual – Fire Fund	33
Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual – Street Lighting Fund	34
Schedule of Changes in the OPEB Liability	35
Schedule of OPEB Contributions	36
Schedule of Proportionate Share of Net Pension Liability	37
Schedule of Pension Contributions	38

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Board of Directors of San Miguel Community Services District
San Miguel, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the San Miguel Community Services District (District), as of and for the fiscal 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.

Auditors' 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 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 auditors' 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 respective financial position of the governmental activities, the business-type activities, and each major fund of San Miguel Community Services District, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Changes in Accounting Principles

As discussed in Note 1 to the basic financial statements effective July 1, 2017, the San Miguel Community Services District adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 33 and 34, the schedule of changes in OPEB liability on page 35, the schedule of OPEB contributions on page 36, the schedule of proportionate share of net pension liability on pages 37, and the schedule of pension contributions on pages 38 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries of the basis 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.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United State 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2019, on our consideration of the San Miguel Community Services District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Moss, Levy & Halzheim LLP

Santa Maria, California
March 7, 2019

SAN MIGUEL COMMUNITY SERVICES DISTRICT
STATEMENT OF NET POSITION
June 30, 2018

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and investments	\$ 933,888	\$ 751,716	\$ 1,685,604
Accounts receivable, net	24,531	64,662	89,193
Internal balances	(8,263)	8,263	
Capital assets:			
Non Depreciable:			
Land	76,926	301,889	378,815
Construction in progress	4,378	32,495	36,873
Depreciable:			
Buildings, structures, and improvements	643,360	8,167,463	8,810,823
Equipment	1,306,182	652,892	1,959,074
Accumulated depreciation	(1,265,746)	(3,208,001)	(4,473,747)
Total assets	<u>1,715,256</u>	<u>6,771,379</u>	<u>8,486,635</u>
DEFERRED OUTFLOW OF RESOURCES			
Deferred pensions	15,562	62,246	77,808
Deferred OPEB	782	3,122	3,904
Total deferred outflow or resources	<u>16,344</u>	<u>65,368</u>	<u>81,712</u>
LIABILITIES			
Accounts payable	30,510	131,856	162,366
Accrued liabilities	16,439	18,797	35,236
Accrued interest payable		24,650	24,650
Deposits	3,000	21,375	24,375
Noncurrent liabilities:			
Due within one year		97,864	97,864
Due in more than one year	67,123	1,687,359	1,754,482
Total liabilities	<u>117,072</u>	<u>1,981,901</u>	<u>2,098,973</u>
DEFERRED INFLOW OF RESOURCES			
Deferred pensions	2,395	9,580	11,975
Total deferred inflow or resources	<u>2,395</u>	<u>9,580</u>	<u>11,975</u>
NET POSITION			
Net investment in capital assets	765,100	4,433,334	5,198,434
Restricted for:			
Fire and emergency services	491,341		491,341
Street lighting	408,866		408,866
Capital expansion		1,062,527	1,062,527
Debt service		139,570	139,570
Unrestricted	(53,174)	(790,165)	(843,339)
Total net position	<u>\$ 1,612,133</u>	<u>\$ 4,845,266</u>	<u>\$ 6,457,399</u>

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

SAN MIGUEL COMMUNITY SERVICES DISTRICT
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2018

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues Operating Contributions and Grants</u>
Governmental activities:			
Public safety	\$ 429,389	\$ 37,004	\$ 149,087
Street lighting	34,844		
Depreciation (unallocated)	79,290		
Total governmental activities	<u>543,523</u>	<u>37,004</u>	<u>149,087</u>
Business-type activities:			
Water	1,030,174	414,320	
Wastewater treatment project	586,205	403,955	
Total business-type activities	<u>1,616,379</u>	<u>818,275</u>	
Total governmental	<u>\$ 2,159,902</u>	<u>\$ 855,279</u>	<u>\$ 149,087</u>

General Revenues:

Taxes:

Property

Investment income

Other general revenues

Total general revenues

Change in net position

Net position - beginning of fiscal year

Prior period adjustments

Net position - beginning of fiscal year, restated

Net position - end of fiscal year

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

Capital Contributions and Grants	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-type Activities	Total
\$ -	\$ (243,298)	\$ -	\$ (243,298)
	(34,844)		(34,844)
	(79,290)		(79,290)
	(357,432)		(357,432)
320,939		(294,915)	(294,915)
191,636		9,386	9,386
512,575		(285,529)	(285,529)
<u>\$ 512,575</u>	<u>(357,432)</u>	<u>(285,529)</u>	<u>(642,961)</u>
	442,015	142,763	584,778
	530	4,628	5,158
	2,852	6,981	9,833
	445,397	154,372	599,769
	87,965	(131,157)	(43,192)
	1,543,556	5,053,971	6,597,527
	(19,388)	(77,548)	(96,936)
	1,524,168	4,976,423	6,500,591
	<u>\$ 1,612,133</u>	<u>\$ 4,845,266</u>	<u>\$ 6,457,399</u>

SAN MIGUEL COMMUNITY SERVICES DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2018

	<u>Fire Fund</u>	<u>Street Lighting Fund</u>	<u>Totals</u>
ASSETS			
Cash and investments	\$ 524,765	\$ 409,123	\$ 933,888
Accounts receivable	20,833	3,535	24,368
Interest receivable	<u>134</u>	<u>29</u>	<u>163</u>
Total assets	<u>\$ 545,732</u>	<u>\$ 412,687</u>	<u>\$ 958,419</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 27,308	\$ 3,202	\$ 30,510
Accrued liabilities	15,820	619	16,439
Deposits	3,000		3,000
Due to other funds	<u>8,263</u>		<u>8,263</u>
Total liabilities	<u>54,391</u>	<u>3,821</u>	<u>58,212</u>
Fund Balances:			
Restricted:			
Fire and emergency services	491,341		491,341
Street lighting		<u>408,866</u>	<u>408,866</u>
Total fund balances	<u>491,341</u>	<u>408,866</u>	<u>900,207</u>
Total liabilities and fund balances	<u>\$ 545,732</u>	<u>\$ 412,687</u>	<u>\$ 958,419</u>

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

SAN MIGUEL COMMUNITY SERVICES DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS - BALANCE SHEET
TO THE STATEMENT OF NET POSITION
 June 30, 2018

Total fund balances - governmental funds \$ 900,207

In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation.

Capital assets at historical cost	\$	2,030,846
Accumulated depreciation		<u>(1,265,746)</u>

Net 765,100

Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

Compensated absences payable	\$	2,538
Other post employment benefits obligation		26,641
Net pension liability		<u>37,944</u>

Total (67,123)

Deferred outflows and inflows relating to pensions and OPEB: In governmental funds, deferred outflows and inflows of resources relating to pensions and OPEB are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions and OPEB are reported.

Deferred inflows of resources relating to pensions	\$	(2,395)
Deferred outflows of resources relating to pensions		15,562
Deferred outflows of resources relating to OPEB		<u>782</u>

13,949

Total net position - governmental activities

\$ 1,612,133

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

SAN MIGUEL COMMUNITY SERVICES DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2018

	<u>Fire Fund</u>	<u>Street Lighting Fund</u>	<u>Totals</u>
Revenues:			
Property taxes	\$ 344,348	\$ 97,667	\$ 442,015
Service charges and fees	14,222		14,222
Public facilities fees and assessments	22,782		22,782
Mutual aid	149,087		149,087
Investment income	409	121	530
Miscellaneous income	2,069	783	2,852
	<u>532,917</u>	<u>98,571</u>	<u>631,488</u>
Expenditures:			
Salaries and wages	201,233	7,876	209,109
Payroll taxes and benefits	26,899	1,775	28,674
Workers compensation	1,103	7	1,110
Maintenance and repairs	45,106	455	45,561
Miscellaneous	9,516	105	9,621
Office supplies and expense	2,029	341	2,370
Supplies	74,729		74,729
Professional services	20,225	3,274	23,499
Dues, permits and fees	7,024	311	7,335
Communications	18,341	177	18,518
Employee travel and training	1,380	31	1,411
Utilities	4,057	18,473	22,530
Bank fees	4	1	5
Capital outlay	212,737	1,025	213,762
	<u>624,383</u>	<u>33,851</u>	<u>658,234</u>
Total expenditures			
Excess of revenues over (under) expenditures	(91,466)	64,720	(26,746)
Fund balances - July 1	<u>582,807</u>	<u>344,146</u>	<u>926,953</u>
Fund balances - June 30	<u>\$ 491,341</u>	<u>\$ 408,866</u>	<u>\$ 900,207</u>

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

SAN MIGUEL COMMUNITY SERVICES DISTRICT
RECONCILIATION OF THE STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2018

Total net change in fund balances - governmental funds	\$ (26,746)
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which additions to capital outlay of \$199,673 is less than depreciation expense \$(79,290) in the period.	120,383
In the statement of activities, compensated absences are measured by the amounts earned during the fiscal year. In governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially the amounts paid). This fiscal year, vacation earned exceeded the amounts used by \$653.	(653)
In the statement of activities, postemployment benefits are measured by the amounts earned during the fiscal year. In governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially the amounts paid). This fiscal year, the difference between accrual-basis postemployment benefit costs and actual employer contributions was:	(2,643)
In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was:	<u>(2,376)</u>
Changes in net position - governmental activities	<u>\$ 87,965</u>

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

SAN MIGUEL COMMUNITY SERVICES DISTRICT
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
June 30, 2018

	Wastewater Fund	Water Fund	Totals
ASSETS			
Current assets:			
Cash and investments	\$ 454,458	\$ 297,258	\$ 751,716
Accounts receivable, net	32,987	31,023	64,010
Interest receivable	326	326	652
Due from other funds	52,932		52,932
Total current assets	<u>540,703</u>	<u>328,607</u>	<u>869,310</u>
Noncurrent assets:			
Capital assets, net of accumulated depreciation	1,505,597	4,441,141	5,946,738
Total noncurrent assets	<u>1,505,597</u>	<u>4,441,141</u>	<u>5,946,738</u>
Total assets	<u>2,046,300</u>	<u>4,769,748</u>	<u>6,816,048</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pensions	31,123	31,123	62,246
Deferred OPEB	1,561	1,561	3,122
Total deferred outflows of resources	<u>32,684</u>	<u>32,684</u>	<u>65,368</u>
LIABILITIES			
Current liabilities:			
Accounts payable	39,224	92,632	131,856
Accrued liabilities	9,450	9,347	18,797
Accrued interest payable	1,941	22,709	24,650
Deposits payable	7,645	13,730	21,375
Due to other funds		44,669	44,669
Note payable - current portion		40,172	40,172
Bond payable - current portion	40,000	17,692	57,692
Total current liabilities	<u>98,260</u>	<u>240,951</u>	<u>339,211</u>
Noncurrent liabilities:			
Compensated absences	6,774	6,709	13,483
Note payable		267,557	267,557
OPEB payable	53,281	53,281	106,562
Bond payable	45,000	1,102,983	1,147,983
Net pension liability	75,887	75,887	151,774
Total noncurrent liabilities	<u>180,942</u>	<u>1,506,417</u>	<u>1,687,359</u>
Total liabilities	<u>279,202</u>	<u>1,747,368</u>	<u>2,026,570</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred pensions	4,790	4,790	9,580
Total deferred inflows of resources	<u>4,790</u>	<u>4,790</u>	<u>9,580</u>
NET POSITION			
Net investment in capital assets	1,420,597	3,012,737	4,433,334
Restricted for debt service	95,000	44,570	139,570
Restricted for capital expansion	483,626	578,901	1,062,527
Unrestricted (deficit)	(204,231)	(585,934)	(790,165)
Total net position	<u>\$ 1,794,992</u>	<u>\$ 3,050,274</u>	<u>\$ 4,845,266</u>

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

SAN MIGUEL COMMUNITY SERVICES DISTRICT
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Fiscal Year Ended June 30, 2018

	Wastewater Fund	Water Fund	Totals
Operating Revenues:			
Utility	\$ 403,955	\$ 414,320	\$ 818,275
Total operating revenues	<u>403,955</u>	<u>414,320</u>	<u>818,275</u>
Operating Expenses:			
Salaries and wages	154,765	168,171	322,936
Payroll taxes and benefits	56,696	60,473	117,169
Contract labor	2,650	2,895	5,545
Workers compensation	448	866	1,314
Maintenance and repairs	87,100	123,481	210,581
Miscellaneous	3,163	2,920	6,083
Office supplies and expense	9,745	10,169	19,914
Supplies	18,662	30,406	49,068
Professional services	85,394	330,035	415,429
Dues, permits and fees	25,060	14,741	39,801
Communications	2,720	2,721	5,441
Employee travel and training	599	1,605	2,204
Utilities	67,576	42,735	110,311
Bank fees	10	75	85
Depreciation	65,341	180,113	245,454
Total operating expenses	<u>579,929</u>	<u>971,406</u>	<u>1,551,335</u>
Operating (loss)	<u>(175,974)</u>	<u>(557,086)</u>	<u>(733,060)</u>
Non-Operating Revenues (Expenses):			
Property taxes and assessments	93,776	48,987	142,763
Investment income	2,772	1,856	4,628
Other non-operating revenue	2,945	4,036	6,981
Interest expense	(6,276)	(58,768)	(65,044)
Total non-operating revenues (expenses)	<u>93,217</u>	<u>(3,889)</u>	<u>89,328</u>
Capital Contributions:			
Intergovernmental revenues		135,679	135,679
Connection fees	191,636	185,260	376,896
Total capital contributions	<u>191,636</u>	<u>320,939</u>	<u>512,575</u>
Change in net position	<u>108,879</u>	<u>(240,036)</u>	<u>(131,157)</u>
Net position - July 1	1,724,887	3,329,084	5,053,971
Prior period adjustments	(38,774)	(38,774)	(77,548)
Net position - July 1, restated	<u>1,686,113</u>	<u>3,290,310</u>	<u>4,976,423</u>
Net position - June 30	<u>\$ 1,794,992</u>	<u>\$ 3,050,274</u>	<u>\$ 4,845,266</u>

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

SAN MIGUEL COMMUNITY SERVICES DISTRICT
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2018

	Wastewater Fund	Water Fund	Totals
Cash Flows From Operating Activities:			
Receipts from customers	\$ 404,380	\$ 413,461	\$ 817,841
Payments to suppliers	(373,166)	(608,487)	(981,653)
Payments to employees	(138,623)	(152,197)	(290,820)
Net cash provided (used) by operating activities	<u>(107,409)</u>	<u>(347,223)</u>	<u>(454,632)</u>
Cash Flows From Capital and Related Financing Activities:			
Acquisition of capital assets	(279,566)	(221,825)	(501,391)
Capital contributions	191,636	320,939	512,575
Principal paid on capital debt	(40,000)	(55,960)	(95,960)
Interest paid on capital debt	(7,183)	(59,365)	(66,548)
Net cash provided (used) by capital and related financing activities	<u>(135,113)</u>	<u>(16,211)</u>	<u>(151,324)</u>
Cash Flows from Noncapital Financing Activities:			
Property taxes and assessments	93,776	48,987	142,763
Other revenue	2,945	4,036	6,981
Net cash provided (used) by noncapital financing activities	<u>96,721</u>	<u>53,023</u>	<u>149,744</u>
Cash Flows From Investing Activities:			
Interest income	2,772	1,856	4,628
Net cash provided (used) by investing activities	<u>2,772</u>	<u>1,856</u>	<u>4,628</u>
Net increase (decrease) in cash and cash equivalents	(143,029)	(308,555)	(451,584)
Cash and cash equivalents - July 1	597,487	605,813	1,203,300
Cash and cash equivalents - June 30	<u>\$ 454,458</u>	<u>\$ 297,258</u>	<u>\$ 751,716</u>
Reconciliation to Statement of Net Position:			
Cash and investments	<u>\$ 454,458</u>	<u>\$ 297,258</u>	<u>\$ 751,716</u>

(Continued)

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

SAN MIGUEL COMMUNITY SERVICES DISTRICT
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS (Continued)
For the Fiscal Year Ended June 30, 2018

	Wastewater Fund	Water Fund	Totals
Reconciliation of operating (loss) to net cash provided (used) by operating activities:			
Operating (loss)	\$ (175,974)	\$ (557,086)	\$ (733,060)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation expense	65,341	180,113	245,454
Change in assets, liabilities, deferred inflows of resources, and deferred outflows of resources:			
Receivables, net	(470)	(2,535)	(3,005)
Deferred outflows- pension	2,582	2,582	5,164
Deferred outflows- OPEB	(536)	(536)	(1,072)
Accounts payable	(13,343)	14,635	1,292
Accrued liabilities	3,093	2,990	6,083
Deposits	895	1,676	2,571
Compensated absences	3,006	2,941	5,947
OPEB payable	5,826	5,826	11,652
Net pension liability	6,581	6,581	13,162
Deferred inflows	(4,410)	(4,410)	(8,820)
Net cash provided (used) by operating activities	<u>\$ (107,409)</u>	<u>\$ (347,223)</u>	<u>\$ (454,632)</u>

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

SAN MIGUEL COMMUNITY SERVICES DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Financial Reporting Entity

The San Miguel Community Services District (District) is a multi-purpose special district established on February 1, 2000, by the consolidation of the San Miguel Fire Protection District, which was established in 1941, the Water Works District #1, and the San Miguel Lighting District. The San Miguel Sanitation District was dissolved in April 2001 and incorporated into the San Miguel Community Services District. The District is a political subdivision of the State of California and operates under a Board of Directors- Manager form of government. The District provides fire protection, street lighting, water, wastewater, solid waste, and general administrative services.

There are no component units included in this report which meet the criteria of Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statements No. 39, No. 61, and No. 80.

B. Basis of Presentation

Fund Financial Statements:

The fund financial statements provide information about the District's funds. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary. An emphasis is placed on major funds within the governmental and proprietary categories with each major fund displayed in a separate column.

Major Funds

The District reported the following major governmental funds in the accompanying financial statements:

Fire Fund - This fund accounts for activities of the Fire Station. The fire department provides fire suppression, emergency paramedic services, and fire prevention including public education.

Street Lighting Fund – The fund accounts for activities for the maintenance of the street lights in San Miguel.

The District reports the following major proprietary funds in the accompanying financial statements:

Water Fund - This fund accounts for the operation and maintenance of the District's water distribution system. The water department is responsible for the operation and maintenance of five groundwater supply wells providing treatment, monitoring, and distribution services.

Wastewater Fund – This fund accounts for the operation and maintenance of the District's wastewater system.

C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements regardless of the measurement focus applied.

Measurement Focus

On the government-wide statement of net position and the statement of activities, both governmental and business-type activities are presented using the economic resources measurement focus as defined in item "b" below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- a. All governmental funds are accounted for using a "current financial resources" measurement focus. With this measurement focus, only current assets and current liabilities generally are included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. All proprietary funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and all liabilities (whether current or non-current) associated with the operation of these funds are reported. Proprietary fund equity is classified as net position.

SAN MIGUEL COMMUNITY SERVICES DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

Basis of Accounting

In the government-wide statement of net position and statement of activities, both governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset is used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The District defines available to be within 60 days of fiscal year-end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for principal and interest on long term debt, claims and judgments, and compensated absences which are recognized as expenditures to the extent that they have matured. Governmental capital asset acquisitions are reported as expenditures in governmental funds. Proceeds for governmental long-term debt and acquisitions under capital leases are reported as other financing sources.

Those revenues susceptible to accrual include taxes, intergovernmental revenues, interest, and charges for services. Certain indirect costs are included in program expenses reported for individual functions and activities.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset is used. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal revenues and expenses. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Property Taxes

The County levies, bills, and collects property taxes and special assessments for the District. Property taxes levied are recorded as revenue in the fiscal year of levy, due to the adoption of the "alternate method of property tax distribution," known as the Teeter Plan, by the District and the County. The Teeter Plan authorizes the Auditor/Controller of the County to allocate 100% of the secured property taxes billed, excluding unitary tax (whether paid or unpaid). The County remits tax monies to the District every month and twice a month in December and April. The final amount which is "teetered" is remitted in August each year.

Tax collections are the responsibility of the County Tax Collector. Taxes and assessments on secured and utility rolls, which constitute a lien against the property, may be paid in two installments; the first is due November 1 of the fiscal year and is delinquent if not paid by December 10; and the second is due on March 1 of the fiscal year and is delinquent if not paid by April 10. Unsecured personal property taxes do not constitute a lien against real property unless the tax becomes delinquent. Payment must be made in one installment, which is delinquent if not paid by August 31 of the fiscal year. Significant penalties are imposed by the County for late payment.

Property valuations are established by the Assessor of the County for the secured and unsecured property tax rolls. Under the provisions of Article XIII A of the State Constitution, properties are assessed at 100% of purchase price or value in 1978 whichever is later. From this base assessment, subsequent annual increases in valuation are limited to a maximum of 2 percent. However, increases to full value are allowed for property improvements or upon change in ownership. Personal property is excluded from these limitations, and is subject to annual reappraisal.

Tax levy dates are attached annually on January 1 preceding the fiscal year for which the taxes are levied. The fiscal year begins July 1 and ends June 30 of the following year. Taxes are levied on both real and unsecured personal property, as it exists at that time. Liens against real estate, as well as the tax on personal property, are not relieved by subsequent renewal or change in ownership.

SAN MIGUEL COMMUNITY SERVICES DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Cash and Investments

The District pools the cash of all funds, except for monies that are reserved for specific purposes. The cash and investments balance in each fund represents that fund's equity share of the District's cash and investment pool.

Interest income earned on pooled cash and investments is allocated quarterly to the various funds based on month-end balances. Interest income on restricted cash and investments with fiscal agents is credited directly to the related fund.

The District's investments are carried at fair value. The fair value of equity and debt securities is determined based on sales prices or bid-and-asked quotations from Securities and Exchange Commission (SEC) registered securities exchanges or NASDAQ dealers. The County Treasurer of San Luis Obispo County determines the fair value of their portfolio quarterly and reports a factor to the District. Changes in fair value are allocated to each participating fund.

For purposes of the statement of cash flows, the District has defined cash and cash equivalents to be change and petty cash funds, equity in the District's cash and investment pool, and restricted non-pooled investments with initial maturities of three months or less.

F. Accounts and Interest Receivable

In the government-wide statements, receivables consist of all revenues earned at fiscal year-end and not yet received. Receivables are recorded in the financial statements net of any allowance for doubtful accounts if applicable, and estimated refunds due. Major receivable balances for the governmental activities may include sales taxes, property taxes, grants, and other fees, if any. Business-type activities report utilities as their major receivables.

In the fund financial statements, material receivables in governmental funds may include revenue accruals such as franchise tax, grants, service charges and other similar intergovernmental revenues that are both measurable and available. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with the modified accrual basis of accounting, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned and if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at fiscal year-end and not yet received. Utility accounts receivable and interest earnings comprise the majority of proprietary fund receivables. The fiduciary fund receivables primarily consist of tax assessments.

G. Prepaid Expenses

Payments to vendors that reflect costs applicable to future accounting periods are recorded as prepaid items in both government-wide and fund financial statements.

H. Restricted Assets

Funds that are under the control of external parties are restricted.

I. Capital Assets

The accounting treatment over property, plant, and equipment depends on whether the assets are used in governmental fund operations or proprietary fund operations. The presentation and recording of governmental assets are described below.

Government-Wide Statements

In the government-wide financial statements, capital assets with a historical cost of \$5,000 or more are accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets, if any, which are recorded at their estimated fair value at the date of donation. Estimated historical cost was used to value the majority of the assets.

SAN MIGUEL COMMUNITY SERVICES DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Capital Assets (Continued)

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	40 years
Improvements other than buildings	5-25 years
Equipment and systems	5-30 years

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are capitalized when purchased.

J. Accumulated Compensated Absences

Compensated absences comprise unused vacation leave, sick leave, and compensatory time off, which are accrued as earned. Vacation can accrue no more than a maximum of two times their annual entitlement to vacation pay. Upon termination, all accumulated vacation hours can be paid for the regular employees. The District's liability for the current and long-term portions of compensated absences is shown in the government-wide Statement of Net Position for both governmental funds and proprietary funds. Only proprietary funds reflect the long-term portion in the fund financials report, the Statement of Net Position. The short-term portion is reflected for both governmental and proprietary funds in the fund financial statements. Computation was based on rates in effect as of the fiscal year-end.

K. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. In the fund financial statements, governmental fund types report the face amount of debt issued as other financing source, and the proprietary fund types report long-term debt and other long-term obligations as liabilities.

L. Deferred Outflows and Inflows of Resources

Pursuant to GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the District recognizes deferred outflows and inflows of resources.

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. A deferred outflow of resources is defined as a consumption of net position by the government that is applicable to a future reporting period. The District has two items which qualify for reporting in this category, refer to Note 8 and Note 9 for a detailed listing of the deferred outflows of resources the District has recognized.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. A deferred inflow of resources is defined as an acquisition of net position by the District that is applicable to a future reporting period. The District has one item which qualifies for reporting in this category; refer to Note 8 for a detailed listing of the deferred inflows of resources the District has recognized.

M. Interfund Transactions

Following is a description of the three basic types of interfund transactions that can be made during the fiscal year and the related accounting policies:

1. Interfund services provided and used - transactions for services rendered or facilities provided. These transactions are recorded as revenues in the receiving fund and expenditures in the disbursing fund.
2. Reimbursements (expenditure transfers) - transactions to reimburse a fund for specific expenditures incurred for the benefit of another fund. These transactions are recorded as expenditures in the disbursing fund and a reduction of expenditures in the receiving fund.
3. Transfers - all interfund transactions which allocate resources from one fund to another fund. These transactions are recorded as transfers in and out.

SAN MIGUEL COMMUNITY SERVICES DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Equity Classifications

Government-Wide Statements

GASB Statement No. 63 requires that the difference between assets and the deferred outflows of resources and liabilities added to the deferred inflows of resources be reported as net position. Net position is classified as either net investment in capital assets, restricted, or unrestricted.

Net position that is *net investment in capital assets* consist of capital assets, net of accumulated depreciation, and reduced by the outstanding principal of related debt. *Restricted net position* is the portion of the net position that has external constraints placed on it by creditors, grantors, contributors, laws, or regulations of other governments, or through constitutional provisions or enabling legislation. *Unrestricted net position* consists of net position that does not meet the definition of net investments in capital assets or restricted net position.

O. Fund Balances

Fund balance of the governmental fund is classified as follows:

Nonspendable Fund Balance – represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance – represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance – represents amounts that can only be used for a specific purpose because of a formal action by the District's governing board. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the governing board. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance – represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the governing board or by an official or body to which the governing board delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service, or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purpose of the District.

Unassigned Fund Balance – represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

SAN MIGUEL COMMUNITY SERVICES DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Future Accounting Pronouncements

GASB Statements listed below will be implemented in future financial statements:

Statement No. 83 "Certain Asset Retirement Obligations"	The provisions of this statement are effective for fiscal years beginning after June 15, 2018.
Statement No. 84 "Fiduciary Activities"	The provisions of this statement are effective for fiscal years beginning after December 15, 2018.
Statement No. 87 "Leases"	The provisions of this statement are effective for fiscal years beginning after December 15, 2019.
Statement No. 88 "Certain Disclosures Related to Debt, included Direct Borrowings and Direct Placements"	The provisions of this statement are effective for fiscal years beginning after June 15, 2018.
Statement No. 89 "Accounting for Interest Cost Incurred before the End of a Construction Period"	The provisions of this statement are effective for fiscal years beginning after December 15, 2019.
Statement No. 90 "Majority Equity Interests-an Amendment of GASB Statements No. 14 and No. 61"	The provisions of this statement are effective for fiscal years beginning after December 15, 2018.

Q. Pensions

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

R. Use of Estimates

The financial statements have been prepared in accordance with principles generally accepted in the United States of America and necessarily include amounts based on estimates and assumptions by Management. Actual results could differ from these amounts.

S. Other Postemployment Benefits (OPEB)

For the purposes of measuring the net OPEB liability and deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's plan (OPEB Plan) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

T. New Accounting Pronouncements

For the fiscal year ended June 30, 2018, the District implemented Governmental Accounting Standards Board (GASB) Statement No.75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions." This Statement is effective for periods beginning after June 15, 2017. The objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pension. Implementation of the GASB Statements No. 75 and the impact on the District's financial statements are explained in Note 9 – Other Postemployment Benefits and Note 13 – Restatements.

SAN MIGUEL COMMUNITY SERVICES DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2 – CASH AND INVESTMENTS

Investments are carried at fair value in accordance with GASB Statement No. 31. On June 30, 2018, the District had the following cash and investments on hand:

Cash in checking accounts	\$ 959,263
Cash in savings account	46,507
Cash in money market account	376,596
Cash and investments with County of San Luis Obispo	164,220
Investments	139,018
Total	<u>\$ 1,685,604</u>

Cash and investments listed above are presented on the accompanying basic financial statements, as follows:

Cash and investments	\$ 1,685,604
Total	<u>\$ 1,685,604</u>

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. These principles recognize a three-tiered fair value hierarchy. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District had investments in the San Luis Obispo County Investment Pool, however, that external pool is not measured under Level 1, 2, or 3.

The District has the following recurring fair value measurements as of June 30, 2018:

Investments by fair value level	Fair Value Measurement Using		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Negotiable certificate of deposit	\$ 133,787	\$ 133,787	\$ -
Mutual funds	5,231	5,231	-
Total investments measured at fair value	<u>\$ 139,018</u>	<u>\$ 139,018</u>	<u>\$ -</u>

Investments of the District are governed by the California Government Code and by the District's investment policy. The General Manager of the District acts as the District Finance Officer and Treasurer who is tasked to perform investment functions in accordance with the investment policy. The objectives of the policy are safety, liquidity, yield, and compliance with State and Federal laws and regulations.

Investments of the District as of June 30, 2018

The table below identifies the investment types the District has that are authorized for the District by the California Government Code or the District's investment policy, where more restrictive, that addresses interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds	5 years	25%	None
U.S. Treasury Obligations	5 years	70%	None
Federal Agency Securities	5 years	60%	20%
Commercial Paper	270 days	20%	25%
Negotiable Certificates of Deposit	4 years	20%	25%
Repurchase and Reserve			
Repurchase Agreements	1 year	20% of base value	25%
Medium-Term Notes	4 years	20%	25%
Mutual Funds	N/A	15%	25%
Money Market Mutual Funds	N/A	None	None
County Pooled Investment Fund	N/A	40%	None
Local Agency Investment Fund	N/A	60%	None

SAN MIGUEL COMMUNITY SERVICES DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2 – CASH AND INVESTMENTS (Continued)

Disclosure 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 is, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District's interest rate risk is mitigated is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the District's investments to market rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity as of June 30, 2018:

Investment Type	Carrying Amount	Remaining Maturity (in Months)			
		12 Months or Less	13-24 Months	25-60 Months	More than 60 Months
Negotiable certificates of deposit	\$ 133,787	\$ 69,757	\$ 64,030	\$ -	\$ -
Mutual funds	5,231	5,231			
San Luis Obispo County Investment Pool	164,220	164,220			
	<u>\$ 303,238</u>	<u>\$ 239,208</u>	<u>\$ 64,030</u>	<u>\$ -</u>	<u>\$ -</u>

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

The District has no investments that are highly sensitive to interest rate fluctuations.

Disclosures Relating to 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 nationally recognized statistical rating organizations. Presented below is the minimum rating required by (where applicable) the California Government Code, the investment policy, or debt agreements, and the actual rating as of the fiscal year ended June 30, 2018 for each investment type.

Investment Type	Carrying Amount	Minimum Legal Rating	Rating as of Fiscal Year End			
			AAA	AA+	AA-	Not Rated
Negotiable certificates of deposit	\$ 133,787	N/A	\$ -	\$ -	\$ -	\$ 133,787
Mutual funds	5,231	N/A				5,231
San Luis Obispo County Investment Pool	164,220	N/A				164,220
	<u>\$ 303,238</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 303,238</u>

Concentration of Credit Risk

The investment policy of the District contains limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer (other than U.S Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total District investments is as follows:

>5% issuer:

Investment Type	Reported Amount
Negotiable certificates of deposit *	\$ 133,787

*- The percentage did not adhere to the District's investment policy.

SAN MIGUEL COMMUNITY SERVICES DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2 – CASH AND INVESTMENTS (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 and the District investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the government unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. Deposits are insured up to \$250,000.

At June 30, 2018, none of the District's deposits with financial institutions in excess of Federal depository insurance limits were held in uncollateralized accounts.

NOTE 3 – INTERFUND TRANSACTIONS

Interfund transactions are reported as either loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers among governmental funds or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Due From/Due to Other Funds

Individual fund interfund receivable and payable balances at June 30, 2018, are as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Governmental Fund:		
Fire Fund	\$ -	\$ 8,263
Proprietary Funds:		
Wastewater Fund	52,932	
Water Fund		44,669
Totals	<u>\$ 52,932</u>	<u>\$ 52,932</u>

SAN MIGUEL COMMUNITY SERVICES DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 4 – CAPITAL ASSETS

Governmental activities:

	Balance at July 1, 2017	Additions	Deletions	Balance at June 30, 2018
Capital assets not being depreciated				
Land	\$ 76,926	\$ -	\$ -	\$ 76,926
Construction in progress	4,378			4,378
Total capital assets not being depreciated	<u>\$ 81,304</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 81,304</u>
Capital assets being depreciated				
Buildings, structures, and improvements	\$ 634,134	\$ 9,226	\$ -	\$ 643,360
Equipment	1,173,181	190,447	57,446	1,306,182
Total capital assets being depreciated	<u>1,807,315</u>	<u>199,673</u>	<u>57,446</u>	<u>1,949,542</u>
Less accumulated depreciation	1,243,902	79,290	57,446	1,265,746
Total capital assets being depreciated, net	<u>\$ 563,413</u>	<u>\$ 120,383</u>	<u>\$ -</u>	<u>\$ 683,796</u>
Net capital assets	<u>\$ 644,717</u>	<u>\$ 120,383</u>	<u>\$ -</u>	<u>\$ 765,100</u>

Business-type activities:

	Balance at July 1, 2017	Additions	Deletions	Balance at June 30, 2018
Capital assets not being depreciated				
Land	\$ 61,774	\$ 240,115	\$ -	\$ 301,889
Construction in progress	32,495			32,495
Total capital assets not being depreciated	<u>\$ 94,269</u>	<u>\$ 240,115</u>	<u>\$ -</u>	<u>\$ 334,384</u>
Capital assets being depreciated				
Building and improvements	\$ 7,968,687	\$ 198,776	\$ -	\$ 8,167,463
Plant and equipment	590,392	62,500		652,892
Total capital assets being depreciated	<u>8,559,079</u>	<u>261,276</u>		<u>8,820,355</u>
Less accumulated depreciation	2,962,547	245,454		3,208,001
Total capital assets being depreciated, net	<u>\$ 5,596,532</u>	<u>\$ 15,822</u>	<u>\$ -</u>	<u>\$ 5,612,354</u>
Net capital assets	<u>\$ 5,690,801</u>	<u>\$ 255,937</u>	<u>\$ -</u>	<u>\$ 5,946,738</u>

Governmental Activities:

Unallocated	\$ 79,290
Total governmental activities depreciation expense	<u>\$ 79,290</u>

Business-type Activities:

Water services	\$ 180,113
Wastewater services	65,341
Total business-type activities depreciation expense	<u>\$ 245,454</u>

SAN MIGUEL COMMUNITY SERVICES DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 5 – LONG-TERM LIABILITIES

The following is a summary of changes in the District's long-term liabilities for the fiscal year ended June 30, 2018:

	Balance at July 1, 2017	Additions	Reductions	Restatement	Balance at June 30, 2018	Current Portion
Governmental Activities:						
Compensated Absences	\$ 1,885	\$ 2,640	\$ 1,987	\$ -	\$ 2,538	\$ -
Other Post Employment Benefits Obligation	3,828	3,425	512	19,900	26,641	
Net Pension Liability	34,652	7,852	4,560		37,944	
Total Governmental Activities	\$ 40,365	\$ 13,917	\$ 7,059	\$ 19,900	\$ 67,123	\$ -
Business-Type Activities:						
Compensated Absences	\$ 7,536	\$ 10,898	\$ 4,951	\$ -	\$ 13,483	\$ -
Notes Payable	346,739		39,010		307,729	40,172
Bonds Payable	1,262,625		56,950		1,205,675	57,692
Other Post Employment Benefits Obligation	15,312	13,702	2,050	79,598	106,562	
Net Pension Liability	138,612	31,402	18,240		151,774	
Total Business-Type Activities	\$ 1,770,824	\$ 56,002	\$ 121,201	\$ 79,598	\$ 1,785,223	\$ 97,864

NOTE 6 – NOTE PAYABLE

In October 1994, the District was issued a note payable from the State of California totaling \$969,969, payable in semiannual payments of \$24,486 with an interest rate of 2.955% due April 1, 2025. At June 30, 2018, the principal balance outstanding was \$307,729. The required note principal and interest payments are as follows:

For the Fiscal Year Ending June 30	Principal	Interest	Total
2019	\$ 40,172	\$ 8,799	\$ 48,971
2020	41,353	7,618	48,971
2021	42,612	6,359	48,971
2022	43,867	5,104	48,971
2023	45,173	3,798	48,971
2024-2025	94,552	3,528	98,080
Total	\$ 307,729	\$ 35,206	\$ 342,935

NOTE 7 – BONDS PAYABLE

2008 Certificate of Participation Bonds

United States Department of Agriculture Certificate of Participation Bonds were issued on August 1, 2008 totaling \$1,250,000, payable in semiannual payments, with an interest rate of 4.375%, due August 1, 2048. At June 30, 2018, the bonds principal balance outstanding was \$1,120,675. The required bond principal and interest payments are as shown on the following page:

SAN MIGUEL COMMUNITY SERVICES DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 7 – BONDS PAYABLE (Continued)

2008 Certificate of Participation Bonds (Continued)

For the Fiscal Year Ending June 30	Principal	Interest	Total
2019	\$ 17,692	\$ 48,642	\$ 66,334
2020	18,466	47,852	66,318
2021	19,274	47,026	66,300
2022	20,117	46,164	66,281
2023	20,997	45,265	66,262
2024-2028	119,596	211,395	330,991
2029-2033	148,149	182,217	330,366
2034-2038	183,519	146,074	329,593
2039-2043	227,333	101,301	328,634
2044-2048	281,608	45,839	327,447
2049	63,924	1,398	65,322
Total	\$ 1,120,675	\$ 923,173	\$ 2,043,848

1994 Wastewater Series B Bonds

On June 16, 1994, Wastewater Series B bonds were issued totaling \$594,977, payable in semiannual payments with an interest rate ranging from 6.75% to 6.85%, due September 2, 2019. At June 30, 2018, the principal balance outstanding was \$85,000. The required principal and interest payments are as follows:

For the Fiscal Year Ending June 30	Principal	Interest	Total
2019	\$ 40,000	\$ 4,453	\$ 44,453
2020	45,000	1,541	46,541
Total	\$ 85,000	\$ 5,994	\$ 90,994

NOTE 8 – PENSION PLANS

A. General Information about the Pension Plans

Plan Descriptions

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

SAN MIGUEL COMMUNITY SERVICES DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 8 – PENSION PLANS (Continued)

A. General Information about the Pension Plans (Continued)

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1959 Survivor Benefit, or the Pre-Retirement Option Settlement. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at June 30, 2018, are summarized as follows:

	Miscellaneous	
	Classic Member Hired Prior to January 1, 2013	New Member Hired On or after January 1, 2013
Benefit formula	2.0% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50-63	52-67
Monthly benefits, as a % of eligible compensation	1.46% to 2.418%	1.0% to 2.5%
Required employee contribution rates	7%	6.50%
Required employer contribution rates	12.014%	6.65%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Contributions to the pension plan from the District were \$28,201 for the Miscellaneous Plan for the fiscal year ended June 30, 2018.

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

At June 30, 2018, the District reported net pension liabilities for its proportionate shares of the net position liability was \$189,718. The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all Pension Plan participants, actuarially determined. At June 30, 2017, the District's proportion was 0.00481%, which decreased by 0.00017% from June 30, 2016.

For the fiscal year ended June 30, 2018, the District recognized pension expense of \$30,577. Pension expense represents the change in the net pension liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions or method, and plan benefits. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

SAN MIGUEL COMMUNITY SERVICES DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 8 – PENSION PLANS (Continued)

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
District contributions subsequent to the measurement date	\$ 28,201	\$ -
Changes in assumptions	24,795	1,891
Differences between expected and actual experience	200	2,863
Net difference between projected and actual earnings on retirement plan investments	5,608	
Adjustment due to differences in proportion	11,874	6,583
Changes in proportion and differences between District contributions and proportionate share of contributions	7,130	638
	<u>\$ 77,808</u>	<u>\$ 11,975</u>

Deferred outflows of resources and deferred inflows of resources above represent the unamortized portion of changes to net pension liability to be recognized in future periods in a systematic and rational manner.

\$28,201 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2019.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the pension expenses as follows:

Fiscal year ending June 30,	Amount
2019	\$ 12,974
2020	15,833
2021	12,155
2022	(3,330)
	<u>\$ 37,632</u>

Actuarial Assumptions

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	Miscellaneous <u>June 30, 2016</u>
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Projected Salary Increase	Varies by Entry Age and Service
Mortality (1)	Derived using CalPERS' Membership Data for all Funds

- (1) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table please refer to the 2017 experience study report.

SAN MIGUEL COMMUNITY SERVICES DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 8 – PENSION PLANS (Continued)

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

Change in Assumptions

In December 2016, as part of the Asset Liability Management (ALM) review cycle, the CalPERS Board approved to lower the financial reporting discount rate for PERF C from 7.65% to 7.15%.

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. To determine whether the municipal bond rate should be used in the calculation of the discount rate for public agency plans (including PERF C), CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the current 7.15 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.65 percent is applied to all plans in the Public Employees Retirement Fund, including PERF C. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2022. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB No. 67 and No. 68 calculations through at least the 2021-22 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

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

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

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

Asset Class	New Strategic Allocation	Real Return Years 1-10(a)	Real Return Years 11+(b)
Global Equity	47.0%	4.90%	5.38%
Global Fixed Income	19.0%	0.80%	2.27%
Inflation Sensitive	6.0%	0.60%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	2.0%	-0.40%	-0.90%
Total	100%		

(a) An expected inflation of 2.5% was used for this period.

(b) An expected inflation of 3.0% was used for this period.

SAN MIGUEL COMMUNITY SERVICES DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 8 – PENSION PLANS (Continued)

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

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

The following represents the District's proportionate share of the net pension liability calculated using the discount rate of 7.15 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.15 percent) or 1- percentage point higher (8.15 percent) than the current rate:

1% Decrease	6.15%
Net Pension Liability	\$ 271,450
Current Discount Rate	7.15%
Net Pension Liability	\$ 189,718
1% Increase	8.15%
Net Pension Liability	\$ 122,026

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

C. Payable to the Pension Plan

At June 30, 2018, the District had no amount outstanding for contributions to the pension plan required for the fiscal year ended June 30, 2018.

NOTE 9 – OTHER POST EMPLOYMENT BENEFITS

Plan Description

Plan administration. The District sponsors healthcare coverage under the California Public Employees Medical and Hospital Care Act ("PEMHCA"), commonly referred to as PERS Health. PEMHCA provides health insurance through a variety of Health Maintenance Organization (HMO) and Preferred Provider Organization (PPO) options.

Benefits provided. Active employees are subject to 70% of the premium, up to a \$900 cap. The District joined PEMHCA in 2001 and is under the unequal method, where the District contributes up to a cap equal to 5% times the number of years the District in PEMHCA, times the active contribution cap. Survivor benefits are available. The District does not contribute dental, vision, or life insurance premiums towards retirees.

Employees Covered

As of the June 30, 2017 actuarial valuation, the following current and former employees were covered by the benefit terms under the District's Plan:

Active employees	2
Inactive employees or beneficiaries currently receiving benefits	1
Total	<u>3</u>

The District currently finances benefits on a pay-as-you-go basis.

SAN MIGUEL COMMUNITY SERVICES DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 9 – OTHER POST EMPLOYMENT BENEFITS (Continued)

Net OPEB Liability

The District's Net OPEB liability was measured as of June 30, 2017 and the total OPEB liability used to calculate the Net OPEB liability was determined by an actuarial valuation dated June 30, 2016, standard actuarial update procedures were used to project/discount from the valuation date to the measurement date.

Actuarial assumptions. The total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Salary Increases	3.00%
Healthcare Trend Rate	6% for 2017; 5% for 2018 and later years

Pre-retirement mortality rates were based on the RP-2014 Employee Mortality Table for Males or Females, as appropriate, without projection. Post-retirement mortality rates were based on the RP-2014 Health Annuitant Mortality Table for Males or Females, as appropriate, without projection.

Actuarial assumptions used in the July 1, 2017 valuation were based on a review of plan experience during the period July 1, 2015 to June 30, 2017.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. To achieve the goal set by the investment policy, plan assets will be managed to earn, on a long-term basis, a rate of return equal to or in excess of the target rate of return of 3.13 percent.

Discount rate. GASB 75 requires a discount rate that reflects the following:

- a) The long-term expected rate of return on OPEB plan investments — to the extent that the OPEB plan's fiduciary net position (if any) is projected to be sufficient to make projected benefit payments and assets are expected to be invested using a strategy to achieve that return;
- b) A yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher — to the extent that the conditions in (a) are not met.

To determine a resulting single (blended) rate, the amount of the plan's projected fiduciary net position (if any) and the amount of projected benefit payments is compared in each period of projected benefit payments. The discount rate used to measure the District's total OPEB liability is based on these requirements and the following information:

Reporting Date	Measurement Date	Long Term Expected Return of Plan Investments	Municipal 20 Year High Grade Rate Index	Discount Rate
June 30, 2018	June 30, 2017	3.13%	3.13%	3.13%

SAN MIGUEL COMMUNITY SERVICES DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 9 – OTHER POST EMPLOYMENT BENEFITS (Continued)

Changes in the OPEB Liability

	Total OPEB Liability
Balance at June 30, 2017 (Valuation Date June 30, 2017)	\$ 118,638
Changes recognized for the measurement period:	
Service cost	13,453
Interest	3,674
Changes of assumptions	
Contributions - employer	
Net investment income	
Benefit payments	(2,562)
Net Changes	14,565
Balance at June 30, 2018 (Measurement Date June 30, 2017)	\$ 133,203

Sensitivity of the net OPEB liability to changes in the discount rate. The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.13 percent) or 1-percentage-point higher (4.13 percent) than the current discount rate:

	1% Decrease 2.13%	Current Rate 3.13%	1% Increase 4.13%
OPEB Liability	\$ 157,502	\$ 133,203	\$ 113,201

Sensitivity of the net OPEB liability to changes in the healthcare trend rates. The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a healthcare cost trend rates that are 1-percentage point lower (4.00 percent) or 1-percentage-point higher (6.00 percent) than the current healthcare cost trend rates:

	1% Decrease (5.00%)	Healthcare Cost Trend Rate (6.00%)	1% Increase (7.00%)
OPEB Liability	\$ 116,319	\$ 133,203	\$ 152,218

SAN MIGUEL COMMUNITY SERVICES DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 9 – OTHER POST EMPLOYMENT BENEFITS (Continued)

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2018, the District recognized OPEB expense of \$6,547. As of the fiscal year ended June 30, 2018, the District reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
OPEB contributions subsequent to measurement date	\$ 3,904	\$ -
Change in assumptions		
Net difference between projected and actual earnings on retirement plan investments		
	<u>\$ 3,904</u>	<u>\$ -</u>

NOTE 10 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Excess of expenditures over appropriations in individual funds is as follows:

<u>Fund</u>	<u>Excess Expenditures</u>	
Fire Fund		
Salaries and wages	\$	96,233
Payroll taxes and benefits		5,844
Office supplies and expense		179
Professional services		20,225
Dues, permits and fees		1,574
Communications		10,641
Utilities		2,627
Bank fees		4

NOTE 11 – CONTINGENCIES AND COMMITMENTS

According to the District's staff and attorney, no contingent liabilities are outstanding and no lawsuits are pending of any real financial consequence.

NOTE 12 – SUBSEQUENT EVENT

On October 5, 2018, a former employee was formally charged by the San Luis Obispo County District Attorney for embezzling \$38,000 between February 1, 2015 and November 30, 2015. As of the date of the audit report, recovery of funds is unknown.

NOTE 13 – RESTATEMENTS

	<u>Statement of Activities</u>		<u>Fund Statements</u>	
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Governmental Funds</u>	<u>Proprietary Funds</u>
Governmental Long Term Liabilities:				
To record restatement of OPEB liability and deferred outflows due to implementation of GASB 75.	\$ (19,388)	\$ -	\$ -	\$ -
Proprietary Funds:				
Water Fund				
To record restatement of OPEB liability and deferred outflows due to implementation of GASB 75.		(38,774)		(38,774)
Wastewater Fund				
To record restatement of OPEB liability and deferred outflows due to implementation of GASB 75.		(38,774)		(38,774)
	<u>\$ (19,388)</u>	<u>\$ (77,548)</u>	<u>\$ -</u>	<u>\$ (77,548)</u>

SUPPLEMENTARY INFORMATION

SAN MIGUEL COMMUNITY SERVICES DISTRICT
FIRE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Revenues:				
Property taxes	\$ 337,351	\$ 337,351	\$ 344,348	\$ 6,997
Service charges and fees	16,400	16,400	14,222	(2,178)
Public facilities fees and assessments			22,782	22,782
Mutual aid			149,087	149,087
Grant income	18,000	18,000		(18,000)
Investment income	300	300	409	109
Miscellaneous income	1,000	1,000	2,069	1,069
Total revenues	373,051	373,051	532,917	159,866
Expenditures:				
Salaries and wages	105,000	105,000	201,233	(96,233)
Payroll taxes and benefits	21,055	21,055	26,899	(5,844)
Workers compensation	7,700	7,700	1,103	6,597
Maintenance and repairs	48,809	48,809	45,106	3,703
Miscellaneous	50,644	50,644	9,516	41,128
Office supplies and expense	1,850	1,850	2,029	(179)
Supplies	67,215	77,913	74,729	3,184
Professional services			20,225	(20,225)
Dues, permits and fees	5,450	5,450	7,024	(1,574)
Communications	7,700	7,700	18,341	(10,641)
Employee travel and training	13,500	13,500	1,380	12,120
Utilities	1,430	1,430	4,057	(2,627)
Bank fees			4	(4)
Capital outlay	224,988	224,988	212,737	12,251
Total expenditures	555,341	566,039	624,383	(58,344)
Excess of revenues over (under) expenditures	(182,290)	(192,988)	(91,466)	101,522
Other Financing Sources (Uses):				
Operating transfers in	233,021	233,021		(233,021)
Total other financing sources (uses)	233,021	233,021		(233,021)
Change in fund balance	50,731	40,033	(91,466)	(131,499)
Fund balance - July 1	582,807	582,807	582,807	
Fund balance - June 30	\$ 633,538	\$ 622,840	\$ 491,341	\$ (131,499)

SAN MIGUEL COMMUNITY SERVICES DISTRICT
STREET LIGHTING FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Positive (Negative)</u>
Revenues:				
Property taxes	\$ 93,488	\$ 93,488	\$ 97,667	\$ 4,179
Investment income	50	50	121	71
Miscellaneous income	8,725	8,725	783	(7,942)
Total revenues	102,263	102,263	98,571	(3,692)
Expenditures:				
Salaries and wages	15,000	15,000	7,876	7,124
Payroll taxes and benefits	3,514	3,514	1,775	1,739
Workers compensation	465	465	7	458
Maintenance and repairs	28,900	28,900	455	28,445
Miscellaneous	7,818	7,818	105	7,713
Office supplies and expense	600	600	341	259
Supplies	550	550		550
Professional services	7,750	7,750	3,274	4,476
Dues, permits, and fees			311	(311)
Communications			177	(177)
Employee travel and training			31	(31)
Utilities	20,000	20,000	18,473	1,527
Bank fees			1	(1)
Capital outlay	8,525	8,525	1,025	7,500
Total expenditures	93,122	93,122	33,851	59,271
Excess of revenues over (under) expenditures	9,141	9,141	64,720	55,579
Fund balance - July 1	344,146	344,146	344,146	
Fund balance - June 30	<u>\$ 353,287</u>	<u>\$ 353,287</u>	<u>\$ 408,866</u>	<u>\$ 55,579</u>

SAN MIGUEL COMMUNITY SERVICES DISTRICT
SCHEDULE OF CHANGES IN THE OPEB LIABILITY
 Last 10 Years*
 As of June 30, 2018

	<u>2018</u>
Total OPEB Liability	
Service cost	\$ 13,453
Interest on the total OPEB liability	3,674
Actual and expected experience difference	
Changes in assumptions	
Benefit payments	<u>(2,562)</u>
Net change in total OPEB Liability	14,565
Total OPEB liability - beginning	<u>118,638</u>
Total OPEB liability - ending	<u><u>\$ 133,203</u></u>

*- Fiscal year 2018 was the 1st year of implementation, therefore only one year is shown.

SAN MIGUEL COMMUNITY SERVICES DISTRICT
SCHEDULE OF OPEB CONTRIBUTIONS
Last 10 Years*
As of June 30, 2018

The District's contribution for the fiscal year ended June 30, 2018 was \$3,904. The District did not have an actuary calculate the Actuarially Determined Contribution for the fiscal year ended June 30, 2018, therefore the District does not need to comply with GASB 75's Required Supplementary Information requirements.

*- Fiscal year 2018 was the 1st year of implementation, therefore only one year is shown.

SAN MIGUEL COMMUNITY SERVICES DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
 Last 10 Years*
 As of June 30, 2018

The following table provides required supplementary information regarding the District's Pension Plan.

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability	0.00191%	0.00200%	0.00211%	0.00201%
Proportionate share of the net pension liability	\$ 189,718	\$ 173,264	\$ 145,045	\$ 125,163
Covered payroll	\$ 190,663	\$ 140,038	\$ 174,026	\$ 205,120
Proportionate share of the net pension liability as percentage of covered payroll	99.50%	123.73%	83.35%	61.02%
Plan's total pension liability	\$37,161,348,332	\$33,358,627,624	\$31,771,217,402	\$30,829,966,631
Plan's fiduciary net position	\$27,244,095,376	\$24,705,532,291	\$24,907,305,871	\$24,607,502,515
Plan fiduciary net position as a percentage of the total pension liability	73.31%	74.06%	78.40%	79.82%

Notes to Schedule:

Changes in assumptions

In 2017, as part of the Asset Liability Management review cycle, the discount rate was changed from 7.65 percent to 7.15 percent

In 2016, the discount rate changed from 7.5 percent (net of administrative expense) to 7.65 percent to correct an adjustment to exclude administrative expense.

In 2015, amounts reported as changes in assumptions resulted primarily to expected ages of general employees.

*- Fiscal year 2015 was the 1st year of implementation, therefore only four years are shown.

SAN MIGUEL COMMUNITY SERVICES DISTRICT
SCHEDULE OF PENSION CONTRIBUTIONS
 Last 10 Years*
 As of June 30, 2018

The following table provides required supplementary information regarding the District's Pension Plan.

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution (actuarially determined)	\$ 28,201	\$ 22,800	\$ 19,438	\$ 26,154
Contribution in relation to the actuarially determined contributions	<u>28,201</u>	<u>22,800</u>	<u>19,438</u>	<u>26,154</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 207,585	\$ 190,663	\$ 140,038	\$ 174,026
Contributions as a percentage of covered payroll	13.59%	11.96%	13.88%	15.03%

Notes to Schedule

Valuation Date:	6/30/2014
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry Age
Asset valuation method	5-year smoothed market
Discount rate	7.50%
Price Inflation	2.75%
Salary increases	Varies by Entry Age and Service
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes inflation
Mortality	Derived using CalPERS' Membership data for all funds.
Post Retirement Benefit	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies,
Valuation Date:	6/30/2015
Discount rate	7.65%

*- Fiscal year 2015 was the 1st year of implementation, therefore only four years are shown.