



Independent Auditor's Report  
And  
Financial Statements

For the Year Ended  
June 30, 2014

**SAN MIGUEL COMMUNITY SERVICES DISTRICT**  
**INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS**  
June 30, 2014

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**SAN MIGUEL COMMUNITY SERVICES DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2014

This section of the annual financial report of the San Miguel Community Services District (District) presents our discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2014. The Management's Discussion and Analysis (MD&A) should be read in conjunction with the District's financial statements, including the notes and the supplementary information that immediately follow this section.

**FINANCIAL HIGHLIGHTS**

The following summarizes the District's financial highlights for the year ended June 30, 2014.

- In total, government-wide net position was \$5,578,463.
- General revenues accounted for \$378,163 or 25.42 percent.
- Total government-wide assets were \$7,614,058 cash and cash equivalents were \$1,189,265 and net capital assets totaled \$6,252,788.
- Total program expenses were \$1,119,523, as noted in table 2.

**OVERVIEW OF FINANCIAL STATEMENTS**

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District.

The first two statements are government-wide financial statements that provide both short-term and long-term information about the District's overall financial status.

The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operation in more detail than the government-wide statements.

The fund financial statements are composed of:

- Governmental fund statements, which tell how basic services were financed in the short-term, as well as what remained for future spending.
- Enterprise fund statements are presented using the economic resources measurement focus and the accrual basis of accounting.

**SAN MIGUEL COMMUNITY SERVICES DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2014

**OVERVIEW OF FINANCIAL STATEMENTS (Continued)**

**The Statement of Net Position and the Statement of Activities**

The statement of net position and statement of activities report information about the District as a whole and its activities. These statements include all assets and liabilities of the District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and changes in them. Net position is the difference between assets and liabilities, which is one way to measure the District's financial health, or financial position. Overtime, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. To assess the overall health of the District, you need to consider additional non-financial factors including the condition the District's buildings and other facilities.

**REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS**

**Fund financial statements**

The fund financial statements provide more detailed information about the District's most significant funds – not the District as a whole. Funds are accounting devices the District uses to record specific sources of funding and spending on particular programs:

- Some funds are required by law and covenants.
- The District establishes other funds to control and manage money for particular purposes or to show that certain revenues have been properly used.

**Governmental funds**

The District's street lighting and fire protection are reported in governmental funds which generally focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using the modified accrual accounting, which measures cash, and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statement, we provide additional information of the governmental fund statements that explain the relationship (or differences) between them.

**SAN MIGUEL COMMUNITY SERVICES DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2014

**OVERVIEW OF FINANCIAL STATEMENTS (Continued)**

**Enterprise Funds**

The District's water, sewer, and refuse services are reported in the enterprise funds which are presented on the accrual basis of accounting. The enterprise funds provide a detailed long-term view of the funds.

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

The following table presents a summary of the District's statement of net position by category as of June 30, 2014 and 2013.

**TABLE 1: NET POSITION**

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
<b>Assets</b>		
Current and Other Assets	\$ 1,361,270	\$ 923,632
Capital Assets	<u>6,252,788</u>	<u>6,481,818</u>
 Total Assets	 <u>7,614,058</u>	 <u>7,405,450</u>
 <b>Liabilities</b>		
Current Liabilities	180,482	184,399
Long-Term Liabilities	<u>1,855,113</u>	<u>1,968,225</u>
 Total Liabilities	 <u>2,035,595</u>	 <u>2,152,624</u>
 <b>Net Position</b>		
Invested in Capital Assets, net of related debt	4,284,563	4,403,741
Restricted - Debt Service	33,364	26,692
Unrestricted/Unassigned	<u>1,260,535</u>	<u>822,393</u>
 Total Net Position	 <u>\$ 5,578,462</u>	 <u>\$ 5,252,826</u>

**SAN MIGUEL COMMUNITY SERVICES DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2014

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (Continued)**

A summary of total District revenues, expenses, and changes in net position is presented in the table below.

**TABLE 2: CHANGES IN NET POSITION**

	<b>June 30, 2014</b>	<b>June 30, 2013</b>
<b>Revenues</b>		
Program Revenues:		
Charges for Services	\$ 1,109,554	\$ 813,038
Operating Grants and Contributions	-	1,000
General Revenues:		
Taxes	459,637	420,584
Interest and Investment Earnings	25	511
Interest Expense	(83,974)	(92,837)
Reimbursements	-	121,847
Other Income	2,475	2,094
 Total Revenues	 1,487,717	 1,266,237
 <b>Program Expenses</b>		
Governmental Activities	256,474	280,140
Business-Type Activities	863,049	727,928
 Total Expenses	 1,119,523	 1,008,068
 Changes in Net Position	 \$ 368,194	 \$ 258,169

**General Fund Budgetary Highlights**

As finalized by the Board of Directors, budgeted revenues totaled \$1,138,500 expenditures totaled \$1,059,951 and revenues were projected to exceed expenditures by \$78,549. for the year ended June 30, 2014.

**SAN MIGUEL COMMUNITY SERVICES DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
 June 30, 2014

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (Continued)**

**Capital Assets at Year End Net of Depreciation**

As of June 30, 2014 and 2013 the District owned the following capital assets:

**TABLE 3: CAPITAL ASSETS**

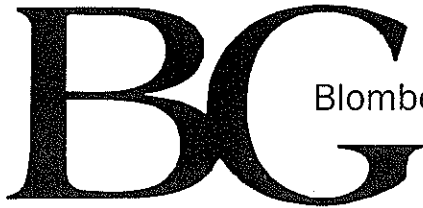
	<b>June 30, 2014</b>	<b>June 30, 2013</b>
<b>Capital Assets</b>		
Land	\$ 138,701	\$ 138,701
Structures and Improvements	8,028,673	8,028,673
Equipment	1,421,346	1,421,346
Construction in Progress	73,595	46,723
Accumulated Depreciation	(3,409,527)	(3,153,625)
 Total Capital Assets -Net	 \$ 6,252,788	 \$ 6,481,818

**Long Term Debt**

The District's debt or debt activity during the year ended June 30, 2014 totaled \$1,968,225 of which \$113,112 is due within one year.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions regarding this report or need additional financial information, contact General Manager, 1150 Mission Street, San Miguel, CA 93451.



Blomberg & Griffin Accountancy Corporation  
Certified Public Accountant

## INDEPENDENTS AUDITOR'S REPORT

To the Board of Directors  
San Miguel Community Services District  
San Miguel, CA

### **Report on the Financial Statements**

We have audited the accompanying financial statements of San Miguel Community Services District as of and for the year ended June 30, 2014, 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 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the San Miguel Community Services District, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 through 5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with Government Auditing Standards, we have also issued our report dated July 23, 2014, 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 San Miguel Community Services District's internal control over financial reporting and compliance.

*Blomberg & Griffin A.C.*

Blomberg & Griffin A.C.

Stockton, CA

July 23, 2014

**SAN MIGUEL COMMUNITY SERVICES DISTRICT**  
**Statement of Net Position**  
**June 30, 2014**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Elimination</u>	<u>Total</u>
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and Cash Equivalents	\$ 444,839	\$ 744,426	\$ -	\$ 1,189,265
Accounts Receivable	-	93,350	-	93,350
Property Tax Receivable	4,774	596	-	5,370
Other Receivables	8,305	28,924	-	37,229
Due From Other Funds	193,209	41,416	(234,625)	-
Prepaid Expenses	11,354	24,702	-	36,056
<b>Total Current Assets</b>	<u>662,481</u>	<u>933,414</u>	<u>(234,625)</u>	<u>1,361,270</u>
<b>Non-Current Assets</b>				
Land	76,927	61,774	-	138,701
Structures and Improvements	476,994	7,551,679	-	8,028,673
Equipment	1,111,016	310,330	-	1,421,346
Construction in Progress	4,377	69,218	-	73,595
Less: Accumulated Depreciation	<u>(1,076,620)</u>	<u>(2,332,907)</u>	<u>-</u>	<u>(3,409,527)</u>
<b>Total Non-Current Assets</b>	<u>592,694</u>	<u>5,660,094</u>	<u>-</u>	<u>6,252,788</u>
<b>Total Assets</b>	<u>\$ 1,255,175</u>	<u>\$ 6,593,508</u>	<u>\$ (234,625)</u>	<u>\$ 7,614,058</u>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Accounts Payable	\$ 322	\$ 1,288	\$ -	\$ 1,610
Accrued Payables	4,802	6,722	-	11,524
Compensated Absences	-	10,299	-	10,299
Deposits	2,000	13,773	-	15,773
Due to Other Funds	-	234,625	(234,625)	-
Interest Payable	-	28,165	-	28,165
Current Portion of Long-Term Obligations	32,770	80,342	-	113,112
<b>Total Current Liabilities</b>	<u>39,894</u>	<u>375,214</u>	<u>(234,625)</u>	<u>180,483</u>
<b>Non-Current Liabilities</b>				
Noncurrent Portion of Long-Term Obligations	101,764	1,866,461	-	1,968,225
Less: Current Portion of Long-Term Obligations	<u>(32,770)</u>	<u>(80,342)</u>	<u>-</u>	<u>(113,112)</u>
<b>Total Non-Current Liabilities</b>	<u>68,994</u>	<u>1,786,119</u>	<u>-</u>	<u>1,855,113</u>
<b>Total Liabilities</b>	<u>108,888</u>	<u>2,161,333</u>	<u>(234,625)</u>	<u>2,035,596</u>
<b>NET POSITION</b>				
Invested in Capital Assets, Net of Related Debt	490,930	3,793,633	-	4,284,563
Restricted for:				
Debt Service	-	33,364	-	33,364
Unrestricted/Unassigned	655,357	605,178	-	1,260,535
<b>Total Net Position</b>	<u>1,146,287</u>	<u>4,432,175</u>	<u>-</u>	<u>5,578,462</u>
<b>Total Liabilities and Net Position</b>	<u>\$ 1,255,175</u>	<u>\$ 6,593,508</u>	<u>\$ (234,625)</u>	<u>\$ 7,614,058</u>

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

**SAN MIGUEL COMMUNITY SERVICES DISTRICT**  
**Statement of Activities**  
**For the Year Ended June 30, 2014**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>PROGRAM EXPENSES</b>			
Fire Protection	\$ 221,224	\$ -	\$ 221,224
Street Lighting	35,250	-	35,250
Water	-	488,427	488,427
Sewer	-	374,622	374,622
	<hr/>	<hr/>	<hr/>
<b>Total Program Expenses</b>	<b>256,474</b>	<b>863,049</b>	<b>1,119,523</b>
<b>PROGRAM REVENUE</b>			
Services Rendered	64,125	1,045,429	1,109,554
Operating Grants and Contributions	-	-	-
	<hr/>	<hr/>	<hr/>
<b>Total Program Revenues</b>	<b>64,125</b>	<b>1,045,429</b>	<b>1,109,554</b>
	<hr/>	<hr/>	<hr/>
<b>Net Program Expenses</b>	<b>192,349</b>	<b>(182,380)</b>	<b>9,969</b>
<b>GENERAL REVENUES</b>			
Property Taxes	324,081	135,556	459,637
Interest Income	-	25	25
Interest Expense	(4,346)	(79,628)	(83,974)
Miscellaneous	1,309	1,166	2,475
	<hr/>	<hr/>	<hr/>
<b>Total General Revenues</b>	<b>321,044</b>	<b>57,119</b>	<b>378,163</b>
	<hr/>	<hr/>	<hr/>
<b>Excess of Revenues over Expenses</b>	<b>128,695</b>	<b>239,499</b>	<b>368,194</b>
Transfers In/Out-Internal Activities	(29,429)	29,429	-
	<hr/>	<hr/>	<hr/>
<b>Change in Net Position</b>	<b>99,266</b>	<b>268,928</b>	<b>368,194</b>
Net Position-Beginning of Year	1,054,870	4,197,956	5,252,826
Prior Period Adjustment - Note 15	(7,848)	(34,709)	(42,557)
	<hr/>	<hr/>	<hr/>
<b>Net Position-End of Year</b>	<b>\$ 1,146,288</b>	<b>\$ 4,432,175</b>	<b>\$ 5,578,463</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The notes are an integral part of these financial statements.

**SAN MIGUEL COMMUNITY SERVICES DISTRICT**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2014**

	<b>Street Lighting</b>	<b>Fire Protection</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Investments	\$ 175,084	\$ 269,755	\$ 444,839
Other Receivables	3,615	4,690	8,305
Property Tax Receivable	1,019	3,755	4,774
Prepaid Expenses	1,188	10,166	11,354
Due from Other Funds	100,659	92,550	193,209
<b>Total Assets</b>	<b>\$ 281,565</b>	<b>\$ 380,916</b>	<b>\$ 662,481</b>
 <b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Accounts Payable	\$ 161	\$ 161	\$ 322
Accrued Payables	1,245	3,557	4,802
Deposits	-	2,000	2,000
<b>Total Liabilities</b>	1,406	5,718	7,124
 <b>FUND BALANCES</b>			
Unassigned	280,159	375,198	655,357
<b>Total Fund Balances</b>	280,159	375,198	655,357
<b>Total Liabilities and Fund Balances</b>	<b>\$ 281,565</b>	<b>\$ 380,916</b>	<b>\$ 662,481</b>

The notes are an integral part of these financial statements.

**SAN MIGUEL COMMUNITY SERVICES DISTRICT**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Position**  
**June 30, 2014**

	<b>2014</b>
Amounts Reported for Governmental Activities in the Statement of Net Position are different because:	
<b>Total Fund Balance-Governmental Funds</b>	<b>\$ 655,357</b>
Capital assets used in governmental activities are not financial resources and therefore, are not reported as assets in governmental funds.	
Capital Assets	1,669,314
Accumulated Depreciation	(1,076,620)
	592,694
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Long-Term Debt	(101,764)
<b>Total Net Position-Governmental Activities</b>	<b>\$ 1,146,287</b>

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

**SAN MIGUEL COMMUNITY SERVICES DISTRICT**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2014**

	<u>Street Lighting</u>	<u>Fire Protection</u>	<u>Total Governmental Funds</u>
<b>GENERAL REVENUES</b>			
Taxes and Assessments	\$ 70,026	\$ 254,055	\$ 324,081
Charges for Services	-	64,125	64,125
Miscellaneous	90.00	1,219	1,309
<b>Total Revenues</b>	<u>70,116</u>	<u>319,399</u>	<u>389,515</u>
<b>EXPENDITURES</b>			
Operating Expenditures			
Salaries and Benefits	7,447	83,417	90,864
Materials, Supplies, and Services	27,803	68,653	96,456
Debt Service			
Principal	-	30,878	30,878
Interest	-	4,346	4,346
Capital Outlay	523	8,472	8,995
<b>Total Expenditures</b>	<u>35,773</u>	<u>195,766</u>	<u>231,539</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	34,343	123,633	157,976
Transfers In/Out-Internal Activities	<u>(15,052)</u>	<u>(14,377)</u>	<u>(29,429)</u>
<b>Net Change in Fund Balances</b>	19,291	109,256	128,547
<b>Fund Balances - Beginning</b>	<u>256,931</u>	<u>284,938</u>	<u>541,869</u>
<b>Prior Period Adjustment - Note 15</b>	<u>3,937</u>	<u>(18,996)</u>	<u>(15,059)</u>
<b>Fund Balances - Ending</b>	<u><u>\$ 280,159</u></u>	<u><u>\$ 375,198</u></u>	<u><u>\$ 655,357</u></u>

The notes are an integral part of these financial statements.

**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 Year Ended June 30, 2014**

	<b>2014</b>
<b>Net Change in Fund Balances - Governmental Funds</b>	<b>\$ 128,547</b>
Amounts reported for governmental activities in the statement of net position are different because:	
Capital outlays is reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital additions of \$1,046 which did not exceed depreciation of \$61,205 in the current period.	(60,159)
Long term debt proceeds provide current financial resources to government funds but issuing debt increases long-term liabilities in the statement of net position. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	30,878
<b>Change in Net Position of Governmental Activities</b>	<b>\$ 99,266</b>

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

**SAN MIGUEL COMMUNITY SERVICES DISTRICT**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances-Budget to**  
**Actual-Street Lighting**  
**For the Year Ended June 30, 2014**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variances- Favorable (Unfavorable) Final to Actual</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Taxes and Assessments	\$ 69,000	\$ 69,000	\$ 70,116	\$ 1,116
<b>Total Revenues</b>	69,000	69,000	70,116	1,116
<b>EXPENDITURES</b>				
Operating Expenditures				
Salaries and Benefits	11,540	11,540	7,447	4,093
Materials, Supplies, and Services	41,021	41,021	27,803	13,218
Debt Service				
Principal	-	-	-	-
Interest	-	-	-	-
Capital Outlay	2,498	2,498	523	1,975
<b>Total Expenditures</b>	55,059	55,059	35,773	19,286
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ 13,941</b>	<b>\$ 13,941</b>	34,343	<b>\$ 20,402</b>
<b>Transfers In/Out-Internal Activities</b>			<b>(15,052)</b>	
<b>Net Change in Fund Balances</b>			19,291	
<b>Fund Balance – Beginning of Year</b>			256,931	
<b>Prior Period Adjustment - Note 15</b>			3,937	
<b>Fund Balance – End of Year</b>			<b>\$ 280,159</b>	

The notes are integral part of these statements.



**SAN MIGUEL COMMUNITY SERVICES DISTRICT**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances-Budget to**  
**Actual-Fire Protection**  
**For the Year Ended June 30, 2014**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variances- Favorable (Unfavorable) Final to Actual</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Taxes and Assessments	\$ 214,800	\$ 214,800	\$ 254,055	\$ 39,255
Charges for Services	-	-	64,125	64,125
Grants	-	-	-	-
Miscellaneous	-	-	1,219	1,219
<b>Total Revenues</b>	214,800	214,800	319,399	104,599
<b>EXPENDITURES</b>				
Current				
Salaries and Benefits	71,810	71,810	83,417	(11,607)
Materials, Supplies, and Services	103,220	103,220	68,653	34,567
Debt Service				
Principal	-	-	30,878	(30,878)
Interest	-	-	4,346	(4,346)
Capital Outlay	12,398	12,398	8,472	3,926
<b>Total Expenditures</b>	187,428	187,428	195,766	(8,338)
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	\$ 27,372	\$ 27,372	123,633	\$ 96,261
<b>Transfers In/Out-Internal Activities</b>			(14,377)	
<b>Net Change in Fund Balances</b>			109,256	
<b>Fund Balances-Beginning of Year</b>			284,938	
<b>Prior Period Adjustment - Note 15</b>			(18,996)	
<b>Fund Balance – End of Year</b>			\$ 375,198	

The notes are an integral part of these statements.

**SAN MIGUEL COMMUNITY SERVICES DISTRICT**  
**Statement of Net Position-Enterprise Funds**  
**June 30, 2014**

	<b>Business-Type Activities</b>		
	<b>Enterprise Funds</b>		
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Investments	\$ 455,415	\$ 289,011	\$ 744,426
Accounts Receivable	78,369	14,981	93,350
Property Tax Receivable	-	596	596
Other Receivables	14,462	14,462	28,924
Due From Other Funds	41,416	-	41,416
Prepaid Expenses	12,057	12,645	24,702
<b>Total Current Assets</b>	<u>601,719</u>	<u>331,695</u>	<u>933,414</u>
<b>Noncurrent Assets</b>			
Land	19,229	42,545	61,774
Structures and Improvements	5,825,917	1,725,762	7,551,679
Equipment	124,561	185,769	310,330
Construction in Progress	47,723	21,495	69,218
Less: Accumulated Depreciation	<u>(1,427,892)</u>	<u>(905,015)</u>	<u>(2,332,907)</u>
<b>Total Noncurrent Assets</b>	<u>4,589,538</u>	<u>1,070,556</u>	<u>5,660,094</u>
<b>Total Assets</b>	<u>\$ 5,191,257</u>	<u>\$ 1,402,251</u>	<u>\$ 6,593,508</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts Payable	\$ 644	\$ 644	\$ 1,288
Accrued Payables	3,346	3,376	6,722
Compensated Absences	5,149	5,150	10,299
Deposits	11,636	2,137.00	13,773
Due to Other Funds	14,195.00	220,430	234,625
Interest Payable	28,165	-	28,165
Current Portion of Long-Term Obligations	<u>50,342</u>	<u>30,000</u>	<u>80,342</u>
<b>Total Current Liabilities</b>	<u>113,477</u>	<u>261,737</u>	<u>375,214</u>
<b>Noncurrent Liabilities</b>			
Noncurrent Portion of Long-Term Obligations	1,641,461	225,000	1,866,461
Less: Current Portion of Long-Term Obligations	<u>(50,342)</u>	<u>(30,000)</u>	<u>(80,342)</u>
<b>Total Non-Current Liabilities</b>	<u>1,591,119</u>	<u>195,000</u>	<u>1,786,119</u>
<b>Total Liabilities</b>	<u>1,704,596</u>	<u>456,737</u>	<u>2,161,333</u>
<b>NET POSITION</b>			
Invested in Capital Assets, Net of Related Debt	2,948,077	845,556	3,793,633
Restricted - USDA Loan Reserve	33,364	-	33,364
Unrestricted	<u>505,220</u>	<u>99,958</u>	<u>605,178</u>
<b>Total Net Position</b>	<u>3,486,661</u>	<u>945,514</u>	<u>4,432,175</u>
<b>Total Liabilities and Net Position</b>	<u>\$ 5,191,257</u>	<u>\$ 1,402,251</u>	<u>\$ 6,593,508</u>

The notes are an integral part of these financial statements.

**SAN MIGUEL COMMUNITY SERVICES DISTRICT**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Enterprise Funds**  
**For the Year Ended June 30, 2014**

	<b>Business-Type Activities</b>		
	<b>Enterprise Funds</b>		
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<b>OPERATING REVENUES</b>			
Service Charges	\$ 359,157	\$ 314,072	\$ 673,229
Other Operating Revenues	<u>146,699</u>	<u>225,501</u>	<u>372,200</u>
<b>Total Operating Revenue</b>	<u>505,856</u>	<u>539,573</u>	<u>1,045,429</u>
<b>OPERATING EXPENSES</b>			
General and Administrative	96,219	97,185	193,404
Plant	247,577	227,372	474,949
Depreciation	<u>144,631</u>	<u>50,065</u>	<u>194,696</u>
<b>Total Operating Expenses</b>	<u>488,427</u>	<u>374,622</u>	<u>863,049</u>
<b>Net Operating Income (Loss)</b>	<u>17,429</u>	<u>164,951</u>	<u>182,380</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest Income	25	-	25
Taxes and Assessments	48,972	86,584	135,556
Interest Expense	(69,082)	(10,546)	(79,628)
Miscellaneous	<u>1,094</u>	<u>72</u>	<u>1,166</u>
<b>Total Nonoperating Revenues (Expenses)</b>	<u>(18,991)</u>	<u>76,110</u>	<u>57,119</u>
<b>Income (Loss) Before Transfers</b>	(1,562)	241,061	239,499
Transfers Out/In-Internal Activities	<u>14,195</u>	<u>15,234</u>	<u>29,429</u>
<b>Change in Net Position</b>	12,633	256,295	268,928
<b>Total Net position - Beginning</b>	3,488,121	709,835	4,197,956
<b>Prior Period Adjustment -Note 15</b>	<u>(14,093)</u>	<u>(20,616)</u>	<u>(34,709)</u>
<b>Total Net Position - Ending</b>	<u>\$ 3,486,661</u>	<u>\$ 945,514</u>	<u>\$ 4,432,175</u>

The notes are an integral part of the financial statements.

**SAN MIGUEL COMMUNITY SERVICES DISTRICT**  
**Statement of Cash Flows-Enterprise Funds**  
**For the Year Ended June 30, 2014**

	<b>Business-Type Activities</b>		
	<b>Enterprise Funds</b>		
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash Received from Customers	\$ 528,514	\$ 561,476	\$ 1,089,990
Cash Payments for Goods and Services	(262,912)	(226,878)	(489,790)
Cash Payments to Employees	(100,086)	(103,021)	(203,107)
Net Cash Provided (Used) by Operating Activities	<u>165,516</u>	<u>231,577</u>	<u>397,093</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>			
Cash Received from Property Taxes	48,972	91,378	140,350
Due from Other Funds	-	-	-
Transfers Out/In-Internal Activities	14,195	15,234	29,429
Due to Other Funds	14,195.00	15,234	29,429
Miscellaneous, Non Operating Income (Expense)	1,094	72	1,166
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>78,456</u>	<u>121,918</u>	<u>200,374</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Principle Payments to Loans	(48,974)	(30,000)	(78,974)
Interest Expense on Long-Term Loans	(66,410)	(16,319)	(82,729)
Acquisition of Capital Assets	(5,996)	(18,165)	(24,161)
Net Cash Provided (Used) from Capital and Related Financing Activities	<u>(121,380)</u>	<u>(64,484)</u>	<u>(185,864)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest Income	25	-	25
Net Cash Provided (Used) from Investing Activities	<u>25</u>	<u>-</u>	<u>25</u>
<b>Net Increase in Cash</b>	122,617	289,011	411,628
<b>Cash-Beginning of Year</b>	<u>332,798</u>	<u>-</u>	<u>332,798</u>
<b>Cash-End of Year</b>	<u>\$ 455,415</u>	<u>\$ 289,011</u>	<u>\$ 744,426</u>

The notes are an integral part of these financial statements.

**SAN MIGUEL COMMUNITY SERVICES DISTRICT**  
**Statement of Cash Flows-Enterprise Funds (Continued)**  
**For the Year Ended June 30, 2014**

	<b>Business-Type Activities</b>		
	<b>Enterprise Funds</b>		
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Operating Income (loss)	\$ 17,429	\$ 164,951	\$ 182,380
<b>ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS ) TO NET CAHS PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Depreciation	144,631	50,065	194,696
Changes in Assets and Liabilities:			
Receivables	20,690	19,766	40,456
Prepaid Expenses	(12,057)	(12,645)	(24,702)
Deposits	1,968	2,137	4,105
Accounts Payable and Other Accrued Liabilities	(11,166)	3,281	(7,885)
Compensated Absences	4,021	4,022	8,043
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>\$ 165,516</u>	<u>\$ 231,577</u>	<u>\$ 397,093</u>

The notes are an integral part of the financial statements.

**SAN MIGUEL COMMUNITY SERVICES DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2014

**NOTE 1 - ORGANIZATION**

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, and solid waste 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 Statement No. 39.

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

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the non-fiduciary activities of the primary government.

**Funds Accounting**

The accounts of the District are organized into funds and account groups, each of which is considered to be a separate accounting entity. The major fund categories are:

*Governmental Fund Types*

Governmental funds use the current financial resources measurement focus. Only current assets and current liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available resources during a given period.

*Proprietary Fund Types*

Proprietary funds use the economic resources measurement focus. The accounting objectives are a determination of net income, financial position, and cash flows. All assets and liabilities associated with a proprietary fund's activities are included on the statement of net position.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Interest income and various intergovernmental revenues comprise the significant revenues susceptible to accrual.

**SAN MIGUEL COMMUNITY SERVICES DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2014

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The accrual basis of accounting is utilized by the proprietary fund financial statements, where revenues are recognized when earned and expenses recognized when incurred.

**Restricted Assets**

These assets consist of cash and cash equivalents for water customer deposits and for administration, capital projects funds and parks and recreation deposits related to future services and capital projects.

**Interfund Transaction**

During the course of normal operations, the District has numerous transactions between funds. Interfund transactions are generally classified as operating transfers and reported as "Other Financing Sources and Uses" in governmental funds, as "Operating Transfers In" by the recipient fund, and "Operating Transfer Out" by the disbursing fund.

On the governmental funds balance sheet, receivables and payables resulting from short-term interfund loans are classified as "Interfund Loan Receivable/Payable." These amounts are eliminated on the statement of net position.

**Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, the District considers all highly liquid investments including money market accounts to be cash and cash equivalents.

**Accounts Receivable**

District water and sewer charges are billed monthly. Management has determined that an allowance for doubtful accounts is zero because of the District's credit policies and prior collection experience.

**Prepaid Expenses**

Payments made to vendors for services that will benefit periods beyond June 30, 2014, are recorded as prepaid expenses.

**SAN MIGUEL COMMUNITY SERVICES DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2014

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Note Receivable**

A note receivable, totaling \$43,464, was recorded for amounts owed to the District from a former employee. At June 30, 2014 the outstanding balance of this note was \$36,154.

**Property, Plant and Equipment**

General capital assets generally result from expenditures in governmental funds. These assets are reported in the governmental activities column of the governmental-wide statement of net position but are not reported in the fund financial statements.

All capital assets are valued at historical cost or estimated historical cost, if actual costs are not available. Donated fixed assets are stated at their fair market value on the date donated. The District currently maintains a capitalization threshold of \$5,000. Improvements are capitalized, however the cost of normal maintenance and repairs that do not add to the value of the net position or materially extend the asset's life are not capitalized. The straight-line method is used to record depreciation.

**Compensated Absences**

The accrual for vacation time earned but not taken by staff employees was calculated based on actual vacation days and applied to the individual employees' hourly rate.

**Property Taxes**

The County of San Luis Obispo bills and collects property taxes for the District. The County charges the District for these services. Tax revenues are recognized by the District in the year levied.

**Concentrations**

The District will provide water services to customers located in the County of San Luis Obispo. Consequently, its ability to collect amounts due from customers may be affected by economic fluctuations, within this region and within the State of California as a whole.

**Intergovernmental Revenues**

For governmental funds, intergovernmental revenues, such as contributions awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available.

**Operating and Non-Operating Revenue**

Revenue is considered operating revenue if it is related to providing services that are for sanitary, water or refuse. All other income is non-operating revenue.



**SAN MIGUEL COMMUNITY SERVICES DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
 June 30, 2014

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Fund Balances**

Fund balance can now be displayed in the following classifications depicting the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Non-Spendable Fund Balance – amounts that are not in a spendable form are required to be maintained intact.
- Restricted Fund Balance – amounts constrained to specific purposes by their providers, through constitutional provisions, or by enabling legislation.
- Committed Fund Balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint.
- Assigned Fund Balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.
- Unassigned Fund Balance – amounts that have no specific restrictions, commitments or assignments.

If restricted and unrestricted assets are available for the same purpose, the restricted assets will be used before unrestricted assets.

**Net Position**

Net position present the difference between assets and liabilities in the statement of net position. Net position invested in capital assets are reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position are reported as restricted when there are legal limitations imposed on their use by external restrictions by creditors, grantors, laws or regulations of other governments.

**NOTE 3 - CASH AND INVESTMENTS**

The values of cash and investments at June 30, 2014 are summarized as follows:

Demand Deposits	\$ 1,048,895
Cash and Investments with:	
County of San Luis Obispo	3,878
Local Agency Investment Fund	136,492
Total Cash and Investments	\$ 1,189,265

The California Government Code requires California banks and savings and loan associations to secure a District's deposits by pledging government securities as collateral. The market value of pledge securities must equal at least 110% of District's deposits. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of a District's total deposits. The District may waive collateral requirements for deposits which are fully insured up to \$100,000 by the Federal Deposit Insurance Corporation (FDIC).

**SAN MIGUEL COMMUNITY SERVICES DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
 June 30, 2014

**NOTE 3 - CASH AND INVESTMENTS (Continued)**

**Credit Risk, Carrying Amount, and Market Value**

Cash is classified in three categories of credit risk as follows:

- Category 1 - insured or collateralized with securities held by the entity or by its agent in the entity's name;
- Category 2 - collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name; and
- Category 3 - uncollateralized.

Investments in pools managed by other government (LAIF) or in mutual funds are not required to be categorized.

At June 30, 2014, the carrying amount of the District's cash deposits was \$1,048,895. The bank balances were \$1,064,001. This difference is due to the normal deposits in transit and outstanding checks. District cash deposits by category as of June 30, 2014, are as follows:

	Category			Bank	Carrying Amount
	<u>1</u>	<u>2</u>	<u>3</u>		
Bank Accounts	<u>\$ 1,048,895</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,048,895</u>	<u>\$ 1,048,895</u>

**SAN MIGUEL COMMUNITY SERVICES DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2014

**NOTE 4 - RECEIVABLES**

Receivables at June 30, 2014, consisted of the following:

	<u>Street Lighting</u>	<u>Fire Protection</u>	<u>Total Governmental Activities</u>	<u>Water</u>	<u>Sewer</u>	<u>Total Business-Type Activities</u>
Local Government						
Taxes	\$ 1,019	\$ 3,755	\$ 4,774	\$ -	\$ 596	\$ 596
Other*	104,274	97,240	201,514	55,878	14,462	70,340
Utility Billings	-	-	-	78,369	14,981	93,350
Total	<u>\$ 105,293</u>	<u>\$ 100,995</u>	<u>\$ 206,288</u>	<u>\$ 134,247</u>	<u>\$ 30,039</u>	<u>\$ 164,286</u>

\* This amount includes due from other funds.

**NOTE 5 - CAPITAL ASSETS**

A summary of the government-wide property plant and equipment at June 30, 2014, is as follows:

**Governmental Funds:**

<u>Fire Protection</u>	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2014</u>
Capital Assets not being Depreciated				
Land	\$ 76,927	\$ -	\$ -	\$ 76,927
Construction in Progress	833	1,356	-	2,189
Total Assets not being Depreciated	<u>77,760</u>	<u>1,356</u>	<u>-</u>	<u>79,116</u>
Capital Assets being Depreciated				
Structures and Improvements	476,994	-	-	476,994
Equipment	1,111,016	-	-	1,111,016
Total Assets being Depreciated	<u>1,588,010</u>	<u>-</u>	<u>-</u>	<u>1,588,010</u>
Total Capital Assets	1,665,770	1,356	-	1,667,126
Accumulated Depreciation	<u>(1,015,414)</u>	<u>(61,206)</u>	<u>-</u>	<u>(1,076,620)</u>
Total Book Value	<u>\$ 650,356</u>	<u>\$ (59,850)</u>	<u>\$ -</u>	<u>\$ 590,506</u>
<u>Street Lighting</u>	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2014</u>
Capital Assets not being Depreciated				
Construction in Progress	\$ 833	\$ 1,356	\$ -	\$ 2,189
Total Assets not being Depreciated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Capital Assets being Depreciated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Accumulated Depreciation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Book Value	<u>\$ 833</u>	<u>\$ 1,356</u>	<u>\$ -</u>	<u>\$ 2,189</u>

**SAN MIGUEL COMMUNITY SERVICES DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2014

**NOTE 5 - CAPITAL ASSETS (Continued)**

A summary of changes in the District's water service fixed assets is as follows:

Enterprise Funds:

<b><u>Water</u></b>	<b><u>Balance</u></b> <b><u>July 1, 2013</u></b>	<b><u>Additions</u></b>	<b><u>Deletions</u></b>	<b><u>Balance</u></b> <b><u>June 30, 2014</u></b>
Capital Assets not being Depreciated				
Land	\$ 19,229	\$ -	\$ -	\$ 19,229
Construction in Progress	41,727	5,996	-	47,723
Total Assets not being Depreciated	<u>60,956</u>	<u>5,996</u>	<u>-</u>	<u>66,952</u>
Capital Assets being Depreciated				
Building and Improvements	5,825,917	-	-	5,825,917
Plant and Equipment	124,561	-	-	124,561
Total Capital Assets	6,011,434	-	-	6,017,430
Accumulated Depreciation	<u>(1,283,261)</u>	<u>(144,631)</u>	<u>-</u>	<u>(1,427,892)</u>
Total Book Value	<u>\$ 4,728,173</u>	<u>\$ (144,631)</u>	<u>\$ -</u>	<u>\$ 4,589,538</u>

A summary of changes in the District's sewer service fixed assets is as follows:

<b><u>Sewer</u></b>	<b><u>Balance</u></b> <b><u>July 1, 2013</u></b>	<b><u>Additions</u></b>	<b><u>Deletions</u></b>	<b><u>Balance</u></b> <b><u>June 30, 2014</u></b>
Capital Assets not being Depreciated				
Land	\$ 42,545	\$ -	\$ -	\$ 42,545
Construction in Progress	3,330	18,165	-	21,495
Total Assets not being Depreciated	<u>45,875</u>	<u>18,165</u>	<u>-</u>	<u>64,040</u>
Capital Assets being Depreciated				
Building and Improvements	1,725,762	-	-	1,725,762
Plant and Equipment	185,769	-	-	185,769
Total Assets being Depreciated	<u>1,911,531</u>	<u>-</u>	<u>-</u>	<u>1,911,531</u>
Total Capital Assets	1,957,406	18,165	-	1,975,571
Accumulated Depreciation	<u>(854,950)</u>	<u>(50,065)</u>	<u>-</u>	<u>(905,015)</u>
Total Book Value	<u>\$ 1,102,456</u>	<u>\$ (31,900)</u>	<u>\$ -</u>	<u>\$ 1,070,556</u>

Depreciation Expense was charged as follows:

Governmental Activities		
Street Lighting		\$ -
Fire Protection		61,206
Total Depreciation Expense-Governmental Activities		<u>\$ 61,206</u>
Business-Type Activities		
Water Fund		\$ 144,631
Sewer Fund		50,065
Total Depreciation Expense Business-Type Activities		<u>\$ 194,696</u>

**SAN MIGUEL COMMUNITY SERVICES DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
 June 30, 2014

**NOTE 6 - ALLOCATION FROM ADMINISTRATION FUND**

The District allocates a percentage of administrative expenses to each of the four funds of the District. The following shows the allocation percentages to allocate the administrative expenses:

Water	40.0%
Sewer	40.0%
Street Lighting	10.0%
Fire Protection	10.0%

**NOTE 7 - ACCOUNTS PAYABLE**

Accounts payable at June 30, 2014, consisted of the following:

	<b>Street Lighting Recreation</b>	<b>Fire Protection</b>	<b>Total Governmental Activities</b>	<b>Water</b>	<b>Sewer</b>	<b>Total Business-Type Activities</b>
Vendor Payables	\$ 161	\$ 161	\$ 322	\$ 644	\$ 644	\$ 1,288
Accrued Payables	1,245	3,557	(1) 4,802	3,346	3,376	6,722
Total	\$ 1,406	\$ 3,718	\$ 5,124	\$ 3,990	\$ 4,020	\$ 8,010

(1) Includes compensated absences - Note 8

**NOTE 8 - COMPENSATED ABSENCES**

**Summary - Governmental Activities**

The changes in the District's long-term obligations for its governmental activities during the year consisted of the following:

	<b>Street Lighting</b>	<b>Fire Protection</b>	<b>Total Governmental Activities</b>	<b>Water</b>	<b>Sewer</b>	<b>Total Business-Type Activities</b>
Compensated Absences	\$ 397	\$ 398	\$ 795	\$ 5,149	\$ 5,150	\$ 10,299

**SAN MIGUEL COMMUNITY SERVICES DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
 June 30, 2014

**NOTE 9 - LONG-TERM OBLIGATIONS**

**Summary – Enterprise Activities**

The changes to the District’s long-term obligations for its enterprise activities during the year consisted of the following:

<b>Enterprise Funds:</b>	<b>Balance July 1, 2013</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2014</b>	<b>Due in One Year</b>
<b><u>Water Fund</u></b>					
State of California Original indebtedness – \$696,969, payable in annual installments of \$48,971 Principal and interest at 2.955%, maturity date is 2025	\$ 491,824	\$ -	\$(34,693)	\$ 457,131	\$35,463
United States Department of Agriculture Certificate of Participation, annual installments without interest, original indebtedness - \$1,225,406, maturity date is 2049.	1,198,611	-	(14,281)	1,184,330	14,879
Total-Water Fund	<u>1,690,435</u>	<u>-</u>	<u>(48,974)</u>	<u>1,641,461</u>	<u>50,342</u>
<b><u>Sewer Fund</u></b>					
Series B Bonds, authorized and issued for \$569,977, final maturity 2019, interest on remaining debt is various	255,000	-	(30,000)	225,000	30,000
Total	<u>\$1,945,435</u>	<u>\$ -</u>	<u>\$(78,974)</u>	<u>\$ 1,866,461</u>	<u>\$80,342</u>
<b>Governmental Activities:</b>					
<b><u>Fire Fund</u></b>					
First Bankers Corporation Original indebtedness – \$262,367, payable in annual installments of \$36,942 Principal and semi-annual installments of interest At 4.10%, maturity date is 11/2016.	\$ 132,642	\$ -	\$(30,878)	\$ 101,764	\$32,770
Total Governmental Activities	<u>\$ 132,642</u>	<u>\$ -</u>	<u>\$(30,878)</u>	<u>\$ 101,764</u>	<u>\$32,770</u>



**SAN MIGUEL COMMUNITY SERVICES DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
 June 30, 2014

**NOTE 9 - LONG-TERM OBLIGATIONS (Continued)**

**Debt Service Requirements to Maturity**

The debt matures through 2048 as follows:

Fiscal Year	Sewer Fund Sewer Bonds		Water Fund Loans and Deferred Interest		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	30,000	14,129	50,631	52,127	80,631	66,256
2016	35,000	11,935	52,322	51,488	87,322	63,423
2017	35,000	9,732	54,146	50,822	89,146	60,554
2018	40,000	7,183	55,960	50,127	95,960	57,310
2019-2013	85,000	8,905	288,725	239,085	373,725	247,990
2024-2048	-	-	1,139,677	653,944	1,139,677	653,944
Total	<u>\$225,000</u>	<u>\$ 51,884</u>	<u>\$1,641,461</u>	<u>\$1,097,593</u>	<u>\$1,866,461</u>	<u>\$1,149,477</u>

**NOTE 10 - PERS PENSION PLAN (Defined Benefit Plans)**

**A. Plan Description**

The District's defined benefit pension plans, Miscellaneous Plan of the San Miguel Community Services District and provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Miscellaneous Plan are part of the Public Agency Portion of the California Public Employees' Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating employers within the State of California. A menu of benefit provisions as well as other requirements are established by State Statutes within the Public Employees' Retirement Law. The District selects the optional benefit provisions from the benefit menu by contract with the CalPERS and adopts those benefits through local ordinance. CalPERS issues a separate comprehensive annual financial report. Copies for the CalPERS' annual financial report may be obtained from the CalPERS Executive Office-400 P Street Sacramento, CA 95814.

**B. Funding Policy**

The District is required to contribute the actuarially determined remaining amounts as necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for the fiscal year ended June 30, 2014 was approximately 18.382% for The contribution requirements of plan members are established by State statute and employer contribution rate is are established and may be amended by CalPERS.

**C. Annual Pension Cost**

For fiscal year ended June 30, 2014, the District's annual pension cost was \$34,697 for the Miscellaneous Plan. The required contribution for the fiscal year ended June 30, 2014 was determined as part of the June 30, 2011 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 7.5% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service ranging from 3.30% to 14.20% for safety members and 3.30% to 14.20% for miscellaneous members; and (c) 3% cost-of-living adjustment. Both (a) and (b) include an inflation component of 2.75%.

**SAN MIGUEL COMMUNITY SERVICES DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
 June 30, 2014

**NOTE 10 - PERS PENSION PLAN (Defined Benefit Plans) (Continued)**

C. Annual Pension Cost (Continued)

Initial unfunded liabilities are amortized over a closed period that depends on the plan's date entry into CalPERS. Subsequent plan amendments are amortized percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a rolling period, which results in an amortization of 10% of unamortized gains and losses each year. If the plan's accrued liability exceeds the actuarial value of the plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30 year amortization period.

D. Three-Year Trend Information for PERS

Trend information for the three fiscal years ended June 30, 2014, 2013, and 2012 is as follows:

<b>Fiscal Year Ended</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligations</b>
2014	\$ 34,697	100%	-
2013	\$ 49,301	100%	-
2012	\$ 35,699	100%	-

*Actuarial-Miscellaneous Plan (Risk Pool)*

<b>Valuation Date</b>	<b>Entry Age Accrued Liability</b>	<b>Value of Assets</b>	<b>Overfunded (Unfunded) Liability</b>	<b>Funded Ratio</b>	<b>Annual Covered Payroll</b>	<b>Unfunded (Overfunded) Liability as % of Payroll</b>
6/30/2010	\$ 2,140,438,884	\$ 1,674,260,302	\$(466,178,582)	78.2%	\$ 440,071,449	105.9%
6/30/2011	\$ 2,297,871,345	\$ 1,815,671,616	\$(482,199,729)	79.0%	\$ 434,023,381	111.1%
6/30/2012	\$ 2,486,708,579	\$ 1,981,073,089	\$(505,635,490)	79.7%	\$ 427,300,410	118.3%





**SAN MIGUEL COMMUNITY SERVICES DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2014

**NOTE 11 – RISK MANAGEMENT**

The San Miguel Community Services District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions and natural disasters. During the year ending June 30, 2014, the District contracted with the Special District Risk Management Authority (the Authority) for workers' compensation, and property and liability insurance coverage. The District's annual premium payments were \$12,966 for workers' compensation and \$22,394 for property and liability coverage. The relationship between the District and the Authority is such that it is not a component unit of the District for financial reporting purposes. The Authority has reporting requirements independent of members units and its financial statements are not presented in these final statements. Audited financial statements are generally available from the Authority.

**NOTE 12 – COMMITMENTS AND CONTINGENCIES**

**Litigation**

The District is not currently a party to any legal proceedings.



**SAN MIGUEL COMMUNITY SERVICES DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2014

**NOTE 13 - FUND BUDGETS**

The District requires that all funds be budgeted. The annual budget is prepared by the District Manager and submitted to the District Board for adoption. A budget has been prepared for both governmental funds and proprietary funds.

A budget analysis for governmental funds is included as supplementary information in the financial statements (pages 14-15). All unencumbered appropriations in the budget lapse at the end of the fiscal year. The following has been prepared to report operations and ending fund balance:

	<b><u>Enterprise Funds</u></b>			<b>Variance with Final Budget Positive (Negative)</b>
	<b><u>Original</u></b>	<b><u>Final</u></b>	<b><u>Actual</u></b>	
Operating Revenues	\$ 847,300	\$ 848,550	\$ 1,045,429	\$ 196,879
Operating Expenses	<u>(826,066)</u>	<u>(817,464)</u>	<u>(863,049)</u>	<u>(45,585)</u>
Net Operating Income	21,234	31,086	182,380	151,294
Non-Operating Revenues	39,800	39,800	136,747	96,947
Non-Operating Expenses	<u>-</u>	<u>-</u>	<u>(79,628)</u>	<u>(79,628)</u>
Income before Transfers	<u>\$ 61,034</u>	<u>\$ 70,886</u>	239,499	<u>\$ 168,613</u>
Transfers In/Out-Internal Activities			<u>29,429</u>	
Change in Net Position			268,928	
Net Position - Beginning of Year			4,197,956	
Prior Period Adjustments - Note 15			<u>(34,709)</u>	
Net Position - End of Year			<u>\$ 4,432,175</u>	

- (1) The final budget was amended to provide for water meter replacements and hiring of general manager.

**SAN MIGUEL COMMUNITY SERVICES DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
 June 30, 2014

**NOTE 14 - SEWER FUND**

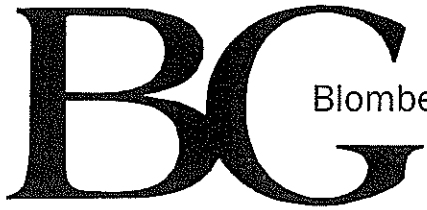
Management has elected to consolidate the sewer and refuse funds in the current year. The refuse fund was not material and thus was consolidated into the sewer fund financial activity:

**NOTE 15 – PRIOR PERIOD ADJUSTMENT**

Accounts receivable – property taxes were adjusted to correct balances of prior year as follows:

<u>Street Lighting</u>	<u>Fire Protection</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
\$ (11,148)	\$ 18,996	\$ 14,093	\$ 20,616	\$ 42,557
<u>7,211</u>	Balance Adjustment			
<u>\$ (3,937)</u>				





Blomberg & Griffin Accountancy Corporation  
Certified Public Accountant

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING  
STANDARDS***

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

We have audited the financial statements of the San Miguel Community Services District (District), as of and for the year ended June 30, 2014, which collectively comprise the District's basic financial statements and have issued our report thereon dated July 23, 2014. 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.

Internal Control Over Financial Reporting

Management of San Miguel Community Services District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying Independent Auditor's Findings and District Responses that we consider to be significant deficiencies in internal control over financial reporting 2014-1 through 2014-07. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

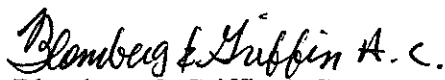
Compliance and Other Matters

As part of obtaining reasonable assurance about whether San Miguel Community Services District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Independent Auditor's Findings and District Responses as items 2014-1 through 2014-07.

We noted certain matters that we reported to management of San Miguel Community Services District, in this report dated July 23, 2014.

San Miguel Community Services District's response to the findings identified in our audit is described in the accompanying Independent Auditor's Findings and District Responses. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of Management, Members of the Board, Others within the entity the State Controller and County Auditors and is not intended to be and should not be used by anyone other than these specified parties.



Blomberg & Griffin A.C.

Stockton, CA

July 23, 2014

**SAN MIGUEL COMMUNITY SERVICES DISTRICT**  
Prior Independent Auditor's Findings and District Responses for fiscal year June 30, 2013  
June 30, 2014

**Internal Control Over Financial Reporting**

**Finding 2013-01: Invoices (1)**

The invoice should have the account number & class to which the invoice is being recorded.

*District Response: Each invoice to be paid will have the account number and class recorded on the invoice.*

**Findings 2013-02: Invoices (2)**

The District should send an invoice on embezzlement cases.

*District Response: The District's legal counsel is working with the District Attorney's Office to obtain a payment program on both embezzlement cases.*

**Findings 2013-03: Financial Audit**

Independent financial audit should be conducted annually and on a timely basis. The controller's report is considered late, if an independent audit is not conducted and completed within one year of the fiscal year end. Please note a late controller's report can be subject up to a \$5,000 penalty.

*District Response: The District has contracted with Blomberg & Griffin Accountancy Corp to conduct fiscal year audits and preparation of timely financial statements.*

**Findings 2013-04: Proper Change to Customers**

Personnel should return the correct change to customers of the District.

*District Response: General Manager is asking the Board of Directors to authorize the hiring of a full-time Bookkeeper Position that will provide assistance to the person currently handling the cash of the District.*

**Findings 2013-05: Bank Reconciliation**

The District should reconcile the bank account on a monthly basis.

*District Response: Monthly bank statements are being reconciled every month.*

**Findings 2013-06: Depreciation Schedule**

The District should have a copy of the depreciation schedule on file.

*District Response: The depreciation schedule will be done by the new Bookkeeper position.*

**SAN MIGUEL COMMUNITY SERVICES DISTRICT**  
Prior Independent Auditor's Findings and District Responses for fiscal year June 30, 2013  
June 30, 2014

**Internal Control Over Financial Reporting (Continued)**

Page 2

**Findings 2013-07: Payroll Penalty**

The District has paid penalty and interest fees due to not paying payroll taxes on a timely basis.

*District Response: All payroll taxes are being paid on a timely basis now and a check and balance has been instituted.*

**Findings 2013-08: Late Penalty Fees**

The District should pay on time to not accrue extra unneeded expenses

*District Response: The District will be hiring a Bookkeeper and this position will be responsible for timely payment of expenses.*

**Findings 2013-09: Office Procedures Manual**

The District should have an office procedures manual (HR manual)

*District Response: Bookkeeper position will be responsible for the preparation of a HR manual (Office Procedures Manual).*

**Findings 2013-10: Reimbursement Procedures Manual**

The District should have a reimbursement procedures manual

*District Response: Chapter Six-General deals with business travel & reimbursements, section 6000 of SMCS D personnel policies.*

**Findings 2013-11: Adjusting Journal Entries**

The District should have on file a copy of the adjusting journal entries of the prior year

*District Responses: A file will be set up to file copies of adjusting journal entries of the prior year.*

**Findings 2013-12: Notes Payables**

The District should have on file each liability and be aware of the long-term liabilities of the District. District did not record two notes payable. One issued in 2000 and the other issued 1994.

*District Response: File will be created and maintain*

**Internal Control Over Financial Reporting (Continued)**

**Page 3**

**Findings 2013-13: Reconciliation Discrepancies**

There should not be reconciliation discrepancies in the profit & loss statement. The bank account should reconcile.

*District Response: The District agrees with above finding.*

**Findings 2013-14: Time Cards**

Supervisor and employees should sign time cards to verify the review of time cards

*District Response: Current and future payroll will be signed by employee, employees' supervisor, and the General Manager.*

**Findings 2013-15: Approval of Salaries**

The Board of Directors should approve all raises and new employees of the District. The prior manager approved a new full-time utility supervisor at \$36, which is not part of the District salary schedule.

*District Response: The District agrees with the above finding.*

**Findings 2013-16: Storage of Invoices**

The District should hold invoices and organize invoices to locate them when needed.

*District Response: Filing of invoices, paid and unpaid shall be done in a manner which enables them to be found when needed.*

**Findings 2013-17: Classification by Fund**

Transactions should be properly classified by fund and the invoices should show the break-down of the classification of fund type(s).

*District Response: The District supports this finding.*



**Internal Control Over Financial Reporting (Continued)**

**Page 4**

**Findings 2013-18: Bank Draft Fees**

The District should hold enough cash deposits in the various cash account to not accrue bank draft fees of \$28.

*District Response: The District agrees with this finding and will hold enough cash deposits to prevent the payment of Bank Draft Fees.*

**Findings 2013-19: CalPERS Retirement Contribution**

The employee portion of CalPERS retirement contribution should not be recorded to the retirement account. The total gross wages should be recorded to its respected accounts. Any amount that is payable to the CalPERS Retirement System should be recorded as a payable. When the payable is paid the cash should be decreased (credited) and the payable should be decreased (debited) to show that the liability has been paid.

*District Response: The District will comply with this finding.*

**Findings 2013-20: Credit Card Fraud**

The District should have a policy to protect credit cards of the District. The number was stolen and used fraudulently. The purchases were later reimbursed in the credit card statement.

*District Response: Policy to protect credit cards of the District will be developed to comply with this finding.*

**Findings 2013-21: Accounting Policy**

The District should have an accounting policy on how to record the transactions of the District. The District books should be equal to the audit report unless there is an adjustment made for "financial statement reporting purposes."

*District Response: The District will develop an Accounting Policy to comply with this finding.*

**Findings 2013-22: Accounting Personnel**

The District should hire or train personnel that are experienced in accounting.

*District Response: The District will hire additional qualified individuals that have the necessary accounting skills to comply with this finding.*

***SAN MIGUEL COMMUNITY SERVICES DISTRICT***

***Independent Auditor's Findings and District Responses***

***June 30, 2014***

**Internal Control Over Financial Reporting**

**Finding 2014-01: Cash in County**

Bank reconciliations were completed, however, Cash in County account didn't agree with the corresponding general ledger account at June 30, 2014. Cash in County account should be adjusted to reflect all transactions at the end of every month.

***Districts Response: District agrees with finding and will instruct bookkeeper to record county account transactions per the counties monthly transaction report.***

**Finding 2014-02: Cash in Bank, at the Funds Level**

Cash in bank for the various funds needed adjustments to correct for amounts not properly allocated as of June 30, 2014.

***Districts Response: District agrees with findings. The Districts current accounting program (Quickbooks) did not provide District with asset and liability account information by fund. District is in process of converting to the Black Mountain accounting program which will alleviate this issue in the future.***

**Finding 2014-03: Various Amounts in 10-Admin and Unclassified Funds needed Adjustments**

Various amounts in assets, liabilities, revenues and expense accounts needed adjustments to proper accounts.

***District Response: The Districts current accounting program (QuickBooks) did not permit multiple Funds account distribution in some areas; and, other accounts were improperly set up in QuickBooks by the District. District is in process of converting to the Black Mountain Accounting program which should alleviate this issue in the future.***

**Finding 2014-04: Payroll Taxes**

The District withheld and paid payroll taxes on wages not subject to social security taxes. District bookkeeper discovered the error and was in the process of resolving at the time of our audit. On February 10, 2014 the District paid \$166.75 in payroll tax, penalty and interest. A similar audit finding was noted in prior year as finding 2013-07.

***SAN MIGUEL COMMUNITY SERVICES DISTRICT***

***Independent Auditor's Findings and District Responses***

***June 30, 2014***

**Internal Control Over Financial Reporting (Continued)**

***District Response:*** *Form 941-X in process for the quarter (last 3 quarters of 2013 and the first quarter 2014) in which security taxes were erroneously withheld from employees covered under a qualified pension plan and for which the District also made the employer contribution. Payroll tax, penalty and interest paid on February 10, 2014 was for the calendar year ending 2011.*

**Finding 2014-05: Late Reporting Fee**

On September 27, 2013 the District paid \$200.00 to CalPERS for late reporting of payroll. A similar audit finding was noted in prior year as finding 2013-08.

***District Response:*** *CalPers reporting is now incorporated as a regular part of the bookkeeper's payroll process and reporting is done on the same date that the payroll is created.*

**Finding 2014-06: Irregular Salary**

One employee received salary as the District's full time utility supervisor and received pay as a District volunteer firefighter. In addition, the same employee received overtime pay in excess of \$18,000.00 at the rate of \$54.00 per hour. The utility supervisor pay rate was in excess of the general manager pay rate. A related audit finding was noted in prior year as finding 2013-15.

The salary paid the utility supervisor appears to be both irregular and excessive.

***District Response:*** *Pending*

**Finding 2014-07: USDA Loan Requirement**

District's loan agreement with the USDA requires an annual amount of \$6,673 be reserved and funded. At time of our audit, the USDA loan reserve account needed adjustment and the cash account for the USDA loan reserve was deficient.

***District Response:*** *USDA Reserve bank account at Heritage Oaks Bank is currently funded at \$67,020.00.*