

**SAN MIGUEL COMMUNITY SERVICES DISTRICT**

**FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED  
JUNE 30, 2017**



**SAN MIGUEL COMMUNITY SERVICES DISTRICT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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**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, 2017, 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, 2017, 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 budgetary comparison information on pages 33 and 34, the schedule of funding progress for postemployment benefits on page 35, the schedule of proportionate share of net pension liability on pages 36, and the schedule of pension contributions on pages 37 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 October 17, 2018, 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, Remy & Halzheim LLP*

Santa Maria, California  
October 17, 2018



**SAN MIGUEL COMMUNITY SERVICES DISTRICT**  
**STATEMENT OF NET POSITION**  
June 30, 2017

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and investments	\$ 971,161	\$ 1,203,300	\$ 2,174,461
Accounts receivable, net	20,056	61,657	81,713
Internal balances	(8,263)	8,263	
Capital assets:			
Non Depreciable:			
Land	76,926	61,774	138,700
Construction in progress	4,378	32,495	36,873
Depreciable:			
Buildings, structures, and improvements	634,134	7,968,687	8,602,821
Equipment	1,173,181	590,392	1,763,573
Accumulated depreciation	(1,243,902)	(2,962,547)	(4,206,449)
Total assets	<u>1,627,671</u>	<u>6,964,021</u>	<u>8,591,692</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
Deferred pensions	16,852	67,410	84,262
Total deferred outflow or resources	<u>16,852</u>	<u>67,410</u>	<u>84,262</u>
<b>LIABILITIES</b>			
Accounts payable	39,793	130,564	170,357
Accrued liabilities	14,208	12,714	26,922
Accrued interest payable		26,154	26,154
Deposits	2,000	18,804	20,804
Noncurrent liabilities:			
Due within one year		95,960	95,960
Due in more than one year	40,365	1,674,864	1,715,229
Total liabilities	<u>96,366</u>	<u>1,959,060</u>	<u>2,055,426</u>
<b>DEFERRED INFLOW OF RESOURCES</b>			
Deferred pensions	4,601	18,400	23,001
Total deferred inflow or resources	<u>4,601</u>	<u>18,400</u>	<u>23,001</u>
<b>NET POSITION</b>			
Net investment in capital assets	644,717	4,081,437	4,726,154
Restricted for:			
Fire and emergency services	582,807		582,807
Street lighting	344,146		344,146
Capital expansion		888,972	888,972
Debt service		209,296	209,296
Unrestricted	(28,114)	(125,734)	(153,848)
Total net position	<u>\$ 1,543,556</u>	<u>\$ 5,053,971</u>	<u>\$ 6,597,527</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, 2017

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues Operating Contributions and Grants</u>
Governmental activities:			
Public safety	\$ 318,614	\$ 98,920	\$ 105,000
Street lighting	82,249		
Depreciation (unallocated)	59,266		
<b>Total governmental activities</b>	<u>460,129</u>	<u>98,920</u>	<u>105,000</u>
Business-type activities:			
Water	957,281	361,162	
Wastewater treatment project	612,976	377,942	
<b>Total business-type activities</b>	<u>1,570,257</u>	<u>739,104</u>	
<b>Total governmental</b>	<u>\$ 2,030,386</u>	<u>\$ 838,024</u>	<u>\$ 105,000</u>

General Revenues:

Taxes:

Property

Investment income

Other general revenues

Total general revenues and transfers

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
\$ -	\$ (114,694)	\$ -	\$ (114,694)
	(82,249)		(82,249)
	(59,266)		(59,266)
	(256,209)		(256,209)
309,175		(286,944)	(286,944)
124,980		(110,054)	(110,054)
434,155		(396,998)	(396,998)
\$ 434,155	(256,209)	(396,998)	(653,207)
	420,305	144,875	565,180
	619	3,514	4,133
	6,109	47,693	53,802
	427,033	196,082	623,115
	170,824	(200,916)	(30,092)
	1,350,659	5,219,040	6,569,699
	22,073	35,847	57,920
	1,372,732	5,254,887	6,627,619
\$	\$ 1,543,556	\$ 5,053,971	\$ 6,597,527

**SAN MIGUEL COMMUNITY SERVICES DISTRICT**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**  
June 30, 2017

	<u>Fire Fund</u>	<u>Street Lighting Fund</u>	<u>Totals</u>
<b>ASSETS</b>			
Cash and investments	\$ 626,225	\$ 344,936	\$ 971,161
Accounts receivable	16,776	3,116	19,892
Interest receivable	135	29	164
	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 643,136</u>	<u>\$ 348,081</u>	<u>\$ 991,217</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 36,401	\$ 3,392	\$ 39,793
Accrued liabilities	13,665	543	14,208
Deposits	2,000		2,000
Due to other funds	8,263		8,263
	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	<u>60,329</u>	<u>3,935</u>	<u>64,264</u>
Fund Balances:			
Restricted:			
Fire and emergency services	582,807		582,807
Street lighting		344,146	344,146
	<u>          </u>	<u>          </u>	<u>          </u>
Total fund balances	<u>582,807</u>	<u>344,146</u>	<u>926,953</u>
	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities and fund balances	<u>\$ 643,136</u>	<u>\$ 348,081</u>	<u>\$ 991,217</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, 2017

Total fund balances - governmental funds \$ 926,953

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	\$	1,888,619
Accumulated depreciation		<u>(1,243,902)</u>

Net 644,717

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	\$	1,885
Other post employment benefits obligation		3,828
Net pension liability		<u>34,652</u>

Total (40,365)

In governmental funds, deferred outflows and inflows of resources relating to pensions 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 are reported.

12,251

Total net position - governmental activities

\$ 1,543,556

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, 2017

	Fire Fund	Street Lighting Fund	Totals
<b>Revenues:</b>			
Property taxes	\$ 326,287	\$ 94,018	\$ 420,305
Service charges and fees	17,533		17,533
Public facilities fees and assessments	81,387		81,387
CDBG grant	105,000		105,000
Investment income	511	108	619
Miscellaneous income	5,413	696	6,109
	<u>536,131</u>	<u>94,822</u>	<u>630,953</u>
Total revenues			
<b>Expenditures:</b>			
Salaries and wages	133,445	7,439	140,884
Payroll taxes and benefits	15,533	921	16,454
Workers compensation	11,128	1,091	12,219
Maintenance and repairs	39,103	3,753	42,856
Miscellaneous	15,443	2,720	18,163
Office supplies and expense	4,429	2,188	6,617
Supplies	19,040	393	19,433
Professional services	58,220	44,431	102,651
Dues, permits and fees	5,686	260	5,946
Communications	12,332	538	12,870
Employee travel and training	5,130		5,130
Utilities	681	18,845	19,526
Bank fees	52	11	63
Capital outlay	33,947		33,947
	<u>354,169</u>	<u>82,590</u>	<u>436,759</u>
Total expenditures			
Excess of revenues over (under) expenditures	<u>181,962</u>	<u>12,232</u>	<u>194,194</u>
Fund balances - July 1	380,757	329,929	710,686
Prior period adjustments	20,088	1,985	22,073
Fund balances - July 1, restated	<u>400,845</u>	<u>331,914</u>	<u>732,759</u>
Fund balances - June 30	<u>\$ 582,807</u>	<u>\$ 344,146</u>	<u>\$ 926,953</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, 2017

Total net change in fund balances - governmental funds	\$ 194,194
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 \$33,947 is less than depreciation expense \$(59,266) in the period.	(25,319)
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 used exceeded the amounts earned by \$1,934.	1,934
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, benefits earned exceeded the amounts used by \$1,920.	(1,920)
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>1,935</u>
Changes in net position - governmental activities	<u>\$ 170,824</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, 2017

	Wastewater Fund	Water Fund	Totals
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 597,487	\$ 605,813	\$ 1,203,300
Accounts receivable, net	32,517	28,488	61,005
Interest receivable	326	326	652
Due from other funds	52,932		52,932
Total current assets	<u>683,262</u>	<u>634,627</u>	<u>1,317,889</u>
Noncurrent assets:			
Capital assets, net of accumulated depreciation	1,291,372	4,399,429	5,690,801
Total noncurrent assets	<u>1,291,372</u>	<u>4,399,429</u>	<u>5,690,801</u>
Total assets	<u>1,974,634</u>	<u>5,034,056</u>	<u>7,008,690</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred pensions	33,705	33,705	67,410
Total deferred outflows of resources	<u>33,705</u>	<u>33,705</u>	<u>67,410</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	52,567	77,997	130,564
Accrued liabilities	6,357	6,357	12,714
Accrued interest payable	2,848	23,306	26,154
Deposits payable	6,750	12,054	18,804
Due to other funds		44,669	44,669
Note payable - current portion		39,010	39,010
Bond payable - current portion	40,000	16,950	56,950
Total current liabilities	<u>108,522</u>	<u>220,343</u>	<u>328,865</u>
Noncurrent liabilities:			
Compensated absences	3,768	3,768	7,536
Note payable		307,729	307,729
OPEB payable	7,656	7,656	15,312
Bond payable	85,000	1,120,675	1,205,675
Net pension liability	69,306	69,306	138,612
Total noncurrent liabilities	<u>165,730</u>	<u>1,509,134</u>	<u>1,674,864</u>
Total liabilities	<u>274,252</u>	<u>1,729,477</u>	<u>2,003,729</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred pensions	9,200	9,200	18,400
Total deferred inflows of resources	<u>9,200</u>	<u>9,200</u>	<u>18,400</u>
<b>NET POSITION</b>			
Net investment in capital assets	1,166,372	2,915,065	4,081,437
Restricted for debt service	99,315	109,981	209,296
Restricted for capital expansion	380,839	508,133	888,972
Unrestricted (deficit)	78,361	(204,095)	(125,734)
Total net position	<u>\$ 1,724,887</u>	<u>\$ 3,329,084</u>	<u>\$ 5,053,971</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, 2017

	Wastewater Fund	Water Fund	Totals
<b>Operating Revenues:</b>			
Utility	\$ 377,942	\$ 361,162	\$ 739,104
Total operating revenues	<u>377,942</u>	<u>361,162</u>	<u>739,104</u>
<b>Operating Expenses:</b>			
Salaries and wages	152,571	170,565	323,136
Payroll taxes and benefits	26,167	29,128	55,295
Contract labor	250	250	500
Workers compensation	9,078	14,979	24,057
Maintenance and repairs	50,948	112,920	163,868
Insurance	17,745	17,652	35,397
Miscellaneous	241	1,374	1,615
Office supplies and expense	11,490	11,637	23,127
Supplies	22,740	41,404	64,144
Professional services	152,297	260,835	413,132
Dues, permits and fees	23,808	11,932	35,740
Communications	6,592	6,737	13,329
Employee travel and training	308	472	780
Utilities	69,738	43,927	113,665
Bank fees	255	255	510
Depreciation	59,754	172,620	232,374
Total operating expenses	<u>603,982</u>	<u>896,687</u>	<u>1,500,669</u>
Operating (loss)	<u>(226,040)</u>	<u>(535,525)</u>	<u>(761,565)</u>
<b>Non-Operating Revenues (Expenses):</b>			
Property taxes and assessments	98,338	46,537	144,875
Investment income	1,866	1,648	3,514
Other non-operating revenue	3,285	44,408	47,693
Interest expense	(8,994)	(60,594)	(69,588)
Total non-operating revenues (expenses)	<u>94,495</u>	<u>31,999</u>	<u>126,494</u>
<b>Capital Contributions:</b>			
Connection fees	124,980	309,175	434,155
Change in net position	<u>(6,565)</u>	<u>(194,351)</u>	<u>(200,916)</u>
Net position - July 1	1,740,752	3,478,288	5,219,040
Prior period adjustments	(9,300)	45,147	35,847
Net position - July 1, restated	<u>1,731,452</u>	<u>3,523,435</u>	<u>5,254,887</u>
Net position - June 30	<u>\$ 1,724,887</u>	<u>\$ 3,329,084</u>	<u>\$ 5,053,971</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, 2017

	Wastewater Fund	Water Fund	Totals
<b>Cash Flows From Operating Activities:</b>			
Receipts from customers	\$ 376,000	\$ 364,036	\$ 740,036
Payments to suppliers	(370,414)	(541,830)	(912,244)
Payments to employees	(153,123)	(169,102)	(322,225)
Net cash provided (used) by operating activities	<u>(147,537)</u>	<u>(346,896)</u>	<u>(494,433)</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>			
Acquisition of capital assets	(22,946)	(22,946)	(45,892)
Capital contributions	124,980	309,175	434,155
Principal paid on capital debt	(35,000)	(54,144)	(89,144)
Interest paid on capital debt	(9,787)	(61,254)	(71,041)
Net cash provided (used) by capital and related financing activities	<u>57,247</u>	<u>170,831</u>	<u>228,078</u>
<b>Cash Flows from Noncapital Financing Activities:</b>			
Property taxes and assessments	98,338	46,537	144,875
Other revenue	3,285	44,408	47,693
Net cash provided (used) by noncapital financing activities	<u>101,623</u>	<u>90,945</u>	<u>192,568</u>
<b>Cash Flows From Investing Activities:</b>			
Interest income	1,540	1,397	2,937
Net cash provided (used) by investing activities	<u>1,540</u>	<u>1,397</u>	<u>2,937</u>
Net increase (decrease) in cash and cash equivalents	12,873	(83,723)	(70,850)
Cash and cash equivalents - July 1	584,614	689,536	1,274,150
Cash and cash equivalents - June 30	<u>\$ 597,487</u>	<u>\$ 605,813</u>	<u>\$ 1,203,300</u>
<b>Reconciliation to Statement of Net Position:</b>			
Cash and investments	<u>\$ 597,487</u>	<u>\$ 605,813</u>	<u>\$ 1,203,300</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, 2017

	Wastewater Fund	Water Fund	Totals
<b>Reconciliation of operating (loss) to net cash provided (used) by operating activities:</b>			
Operating (loss)	\$ (226,040)	\$ (535,525)	\$ (761,565)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation expense	59,754	172,620	232,374
Change in assets, liabilities, deferred inflows of resources, and deferred outflows of resources:			
Receivables, net	(3,542)	(565)	(4,107)
Deferred outflows	(11,560)	(11,560)	(23,120)
Accounts payable	21,243	11,672	32,915
Accrued liabilities	3,350	5,365	8,715
Deposits	1,600	3,439	5,039
Compensated absences	(3,871)	(3,871)	(7,742)
OPEB payable	3,841	3,841	7,682
Net pension liability	11,288	11,288	22,576
Deferred inflows	(3,600)	(3,600)	(7,200)
Net cash provided (used) by operating activities	<u>\$ (147,537)</u>	<u>\$ (346,896)</u>	<u>\$ (494,433)</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, 2017**

**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.

**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, 2017**

**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, 2017**

**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, 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 one item which qualifies for reporting in this category, refer to Note 8 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, 2017**

**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, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

P. Future Accounting Pronouncements

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

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

Statement No. 75	"Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions"	The provisions of this statement are effective for fiscal years beginning after June 15, 2017.
Statement No. 81	"Irrevocable Split-Interest Agreements"	The provisions of this statement are effective for fiscal years beginning after December 15, 2016.
Statement No. 82	"Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73"	The provisions of this statement are effective for fiscal years beginning after June 15, 2017.
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. 85	"Omnibus 2017"	The provisions of this statement are effective for fiscal years beginning after June 15, 2017.
Statement No. 86	"Certain Debt Extinguishment Issues"	The provisions of this statement are effective for fiscal years beginning after June 15, 2017.
Statement No. 87	"Leases"	The provisions of this statement are effective for fiscal years beginning after December 15, 2019.

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.

**SAN MIGUEL COMMUNITY SERVICES DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 2 – CASH AND INVESTMENTS**

Investments are carried at fair value in accordance with GASB Statement No. 31. On June 30, 2017, the District had the following cash and investments on hand:

Cash in checking accounts	\$ 1,340,529
Cash in savings account	46,502
Cash in money market account	480,633
Cash and investments with County of San Luis Obispo	168,597
Investments	138,200
Total	<u>\$ 2,174,461</u>

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

Cash and investments	<u>\$ 2,174,461</u>
Total	<u>\$ 2,174,461</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, 2017:

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	\$ 135,085	\$ 135,085	\$ -	\$ -
Mutual funds	3,115	3,115		
Total investments measured at fair value	<u>\$ 138,200</u>	<u>\$ 138,200</u>	<u>\$ -</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, 2017

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 Repurchase and Reserve	4 years	20%	25%
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, 2017**

**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, 2017:

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	\$ 135,085	\$ -	\$ 70,128	\$ 64,957	\$ -
Mutual funds	3,115	3,115			
San Luis Obispo County Investment Pool	168,597	168,597			
	<u>\$ 306,797</u>	<u>\$ 171,712</u>	<u>\$ 70,128</u>	<u>\$ 64,957</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, 2017 for each investment type.

Investment Type	Carrying Amount	Minimum Legal Rating	Rating as of Fiscal Year End			Not Rated
			AAA	AA+	AA-	
Negotiable certificates of deposit	\$ 135,085	N/A	\$ -	\$ -	\$ -	\$ 135,085
Mutual funds	3,115	N/A				3,115
San Luis Obispo County Investment Pool	168,597	N/A				168,597
	<u>\$ 306,797</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 306,797</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 *	\$ 135,085

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

**SAN MIGUEL COMMUNITY SERVICES DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**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, 2017, 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, 2017, 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
	<hr/>	<hr/>
Totals	<u>\$ 52,932</u>	<u>\$ 52,932</u>

**SAN MIGUEL COMMUNITY SERVICES DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 4 – CAPITAL ASSETS**

**Governmental activities:**

	Balance at July 1, 2016	Additions	Deletions	Balance at June 30, 2017
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	\$ 618,634	\$ 15,500	\$ -	\$ 634,134
Equipment	1,154,734	18,447		1,173,181
Total capital assets being depreciated	<u>1,773,368</u>	<u>33,947</u>	<u>-</u>	<u>1,807,315</u>
Less accumulated depreciation	1,184,636	59,266		1,243,902
Total capital assets being depreciated, net	<u>\$ 588,732</u>	<u>\$ (25,319)</u>	<u>\$ -</u>	<u>\$ 563,413</u>
Net capital assets	<u>\$ 670,036</u>	<u>\$ (25,319)</u>	<u>\$ -</u>	<u>\$ 644,717</u>

**Business-type activities:**

	Balance at July 1, 2016	Additions	Deletions	Transfers	Balance at June 30, 2017
Capital assets not being depreciated					
Land	\$ 61,774	\$ -	\$ -	\$ -	\$ 61,774
Construction in progress	344,026			(311,531)	32,495
Total capital assets not being depreciated	<u>\$ 405,800</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$(311,531)</u>	<u>\$ 94,269</u>
Capital assets being depreciated					
Building and improvements	\$ 7,864,292	\$ -	\$ -	\$ 104,395	\$ 7,968,687
Plant and equipment	337,364	45,892		207,136	590,392
Total capital assets being depreciated	<u>8,201,656</u>	<u>45,892</u>	<u>-</u>	<u>311,531</u>	<u>8,559,079</u>
Less accumulated depreciation	2,730,173	232,374			2,962,547
Total capital assets being depreciated, net	<u>\$ 5,471,483</u>	<u>\$ (186,482)</u>	<u>\$ -</u>	<u>\$ 311,531</u>	<u>\$ 5,596,532</u>
Net capital assets	<u>\$ 5,877,283</u>	<u>\$ (186,482)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,690,801</u>

Governmental Activities:

Unallocated	\$ 59,266
Total governmental activities depreciation expense	<u>\$ 59,266</u>

Business-type Activities:

Water services	\$ 59,754
Wastewater services	172,620
Total business-type activities depreciation expense	<u>\$ 232,374</u>

**SAN MIGUEL COMMUNITY SERVICES DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**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, 2017:

	Balance at July 1, 2016	Additions	Reductions	Balance at June 30, 2017	Current Portion
<b>Governmental Activities:</b>					
Compensated Absences	\$ 3,819	\$ 1,486	\$ 3,420	\$ 1,885	\$ -
Other Post Employment Benefits Obligation	1,908	1,920		3,828	
Net Pension Liability	29,009	9,531	3,888	34,652	
<b>Total Governmental Activities</b>	<b>\$ 34,736</b>	<b>\$ 12,937</b>	<b>\$ 7,308</b>	<b>\$ 40,365</b>	<b>\$ -</b>
<b>Business-Type Activities:</b>					
Compensated Absences	\$ 15,278	\$ 5,942	\$ 13,684	\$ 7,536	\$ -
Notes Payable	384,644		37,905	346,739	39,010
Bonds Payable	1,313,864		51,239	1,262,625	56,950
Other Post Employment Benefits Obligation	7,630	7,682		15,312	
Net Pension Liability	116,036	38,126	15,550	138,612	
<b>Total Business-Type Activities</b>	<b>\$ 1,837,452</b>	<b>\$ 51,750</b>	<b>\$ 118,378</b>	<b>\$ 1,770,824</b>	<b>\$ 95,960</b>

**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, 2017, the principal balance outstanding was \$346,739. The required note principal and interest payments are as follows:

For the Fiscal Year Ending June 30	Principal	Interest	Total
2018	\$ 39,010	\$ 9,961	\$ 48,971
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
2023-2025	139,725	7,324	147,049
<b>Total</b>	<b>\$ 346,739</b>	<b>\$ 45,165</b>	<b>\$ 391,904</b>

**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, 2017, the bonds principal balance outstanding was \$1,137,625. 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, 2017**

**NOTE 7 – BONDS PAYABLE (Continued)**

**2008 Certificate of Participation Bonds (Continued)**

For the Fiscal Year Ending June 30	Principal	Interest	Total
2018	\$ 16,950	\$ 49,400	\$ 66,350
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
2023-2027	114,583	216,518	331,101
2028-2032	141,939	188,563	330,502
2033-2037	175,826	153,934	329,760
2038-2042	217,804	111,038	328,842
2043-2047	269,804	57,901	327,705
2048-2049	125,170	5,535	130,705
<b>Total</b>	<b>\$ 1,137,625</b>	<b>\$ 972,573</b>	<b>\$ 2,110,198</b>

**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, 2017, the principal balance outstanding was \$125,000. The required principal and interest payments are as follows:

For the Fiscal Year Ending June 30	Principal	Interest	Total
2018	\$ 40,000	\$ 7,183	\$ 47,183
2019	40,000	4,453	44,453
2020	45,000	1,541	46,541
<b>Total</b>	<b>\$ 125,000</b>	<b>\$ 13,177</b>	<b>\$ 138,177</b>

**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, 2017**

**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, 2017, are summarized as follows:

	<u>Miscellaneous</u>	
	<u>Classic Member</u>	<u>New Member</u>
Hire Date	<u>Hired Prior to</u> <u>January 1, 2013</u>	<u>Hired On or after</u> <u>January 1, 2013</u>
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	11.973%	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 \$22,800 for the Miscellaneous Plan for the fiscal year ended June 30, 2017.

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

At June 30, 2017, the District reported net pension liabilities for its proportionate shares of the net position liability was \$173,264. The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 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, 2016, the District's proportion was 0.00499%, which decreased by 0.00030% from June 30, 2015.

For the fiscal year ended June 30, 2017, the District recognized pension expense of \$13,122. 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, 2016, 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, 2017**

**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	\$ 22,800	\$ -
Changes in assumptions		7,591
Differences between expected and actual experience	616	
Net difference between projected and actual earnings on retirement plan investments	39,508	
Adjustment due to differences in proportion	16,204	14,388
Changes in proportion and differences between District contributions and proportionate share of contributions	5,134	1,022
	<u>\$ 84,262</u>	<u>\$ 23,001</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.

\$22,800 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, 2018.

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
2018	\$ 6,588
2019	7,258
2020	14,383
2021	10,232
	<u>\$ 38,461</u>

*Actuarial Assumptions*

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions:

	Miscellaneous
Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3%
Projected Salary Increase	Varies by Entry Age and Service
Investment Rate of Return (1)	7.50%
Mortality	Derived using CalPERS' Membership Data for all Funds (1)

(1) Net of pension plan investment and administrative expenses including inflation

(2) 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 2014 experience study report.

**SAN MIGUEL COMMUNITY SERVICES DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 8 – PENSION PLANS (Continued)**

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

*Discount Rate*

The discount rate used to measure the total pension liability was 7.65 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 7.65 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 2018. 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 2017-18 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	51.0%	5.25%	5.71%
Global Fixed Income	20.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	10.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	4.50%	5.09%
Liquidity	1.0%	-0.55%	-1.05%
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, 2017**

**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 7.65 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 (6.65 percent) or 1- percentage point higher (8.65 percent) than the current rate:

1% Decrease		6.65%
Net Pension Liability	\$	269,939
Current Discount Rate		7.65%
Net Pension Liability	\$	173,264
1% Increase		8.65%
Net Pension Liability	\$	93,365

*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, 2017, the District had no amount outstanding for contributions to the pension plan required for the fiscal year ended June 30, 2017.

**NOTE 9 – OTHER POST EMPLOYMENT BENEFITS**

Plan Description

The District provides a defined benefit healthcare plan (the "Retiree Health Plan"). The Retiree Health Plan provides healthcare insurance for eligible retirees up until age 65 through the CalPERS Health Benefit Program, which covers both active and retired members. The District only pays 70% of the retiree's premium for health benefits up to \$900.

Funding Policy

The District's Board of Directors will not be funding the plan in the current fiscal year. The Board will review the funding requirements and policy annually.

Annual OPEB Cost and Net OPEB Obligation

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The District has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement No. 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over the remaining period of 30 years. The following table shows the components of the District's annual OPEB cost for the fiscal year, the amount actually contributed to the plan, and changes in the its net OPEB obligation to the Retiree Health Plan:

**SAN MIGUEL COMMUNITY SERVICES DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 9 – OTHER POST EMPLOYMENT BENEFITS (Continued)**

Annual OPEB Cost and Net OPEB Obligation (Continued)

Annual required contribution	\$ 9,730
Interest on net OPEB obligation	382
Adjustment to annual required contribution	<u>(510)</u>
Annual OPEB cost (expense)	9,602
Contributions made	<u>                    </u>
Increase in net OPEB obligation	9,602
Net OPEB obligation - beginning of fiscal year	<u>9,538</u>
Net OPEB obligation - end of fiscal year	<u><u>\$ 19,140</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the last fiscal year is as follows:

Fiscal Year Ending June 30	Annual OPEB Cost	Actual Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2017	\$ 9,602	\$ -	0%	\$ 19,140
2016	\$ 9,538	\$ -	0%	\$ 9,538

Funding Status and Funding Progress

As of July 1, 2015, the actuarial accrued liability (AAL) for benefits was \$58,741, all of which is unfunded.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrences of events far into the future. Examples include assumptions about future employment, mortality and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer as subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial liabilities for benefits.

Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term prospective of the calculations.

In the July 1, 2015 valuation, the level percentage of payroll method was used. The assumptions included a 4% discount rate and interest rate of 4%. The healthcare trend rate was 1% for each future year. The plan's unfunded accrued liability is being amortized over a 30 year- amortization period.

**SAN MIGUEL COMMUNITY SERVICES DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**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>
Street Lighting Fund	
Workers compensation	\$ 341
Miscellaneous	2,720
Office supplies and expense	2,113
Professional services	43,681
Dues, permits, and fees	260
Communications	538
Utilities	3,845
Bank fees	11

**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 – PRIOR PERIOD ADJUSTMENTS**

	<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>
<b>Governmental Funds:</b>				
<b>Fire Fund</b>				
Adjustment was made to reconcile cash from prior years.	\$ 20,088	\$ -	\$ 20,088	\$ -
<b>Street Lighting Fund</b>				
Adjustment was made to reconcile cash from prior years.	1,985		1,985	
<b>Proprietary Funds:</b>				
<b>Water Fund</b>				
To clear accounts payable items from prior years.		12,973		12,973
Adjustment was made to reconcile cash from prior years.		32,174		32,174
<b>Wastewater Fund</b>				
To clear accounts payable items from prior years.		29,933		29,933
Adjustment was made to reconcile cash from prior years.		(39,233)		(39,233)
	<u>\$ 22,073</u>	<u>\$ 35,847</u>	<u>\$ 22,073</u>	<u>\$ 35,847</u>

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**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, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Property taxes	\$ 308,300	\$ 308,300	\$ 326,287	\$ 17,987
Service charges and fees	34,470	34,470	17,533	(16,937)
Public facilities fees and assessments	10	10	81,387	81,377
CDBG grant	105,000	105,000	105,000	
Investment income	60	60	511	451
Miscellaneous income	5	5	5,413	5,408
<b>Total revenues</b>	<b>447,845</b>	<b>447,845</b>	<b>536,131</b>	<b>88,286</b>
<b>Expenditures:</b>				
Salaries and wages	141,727	141,727	133,445	8,282
Payroll taxes and benefits	48,992	48,992	15,533	33,459
Workers compensation	7,474	7,474	11,128	(3,654)
Maintenance and repairs	63,250	63,250	39,103	24,147
Miscellaneous	2,810	2,810	15,443	(12,633)
Office supplies and expense	825	825	4,429	(3,604)
Supplies	25,710	25,710	19,040	6,670
Professional services	16,568	16,568	58,220	(41,652)
Dues, permits and fees	6,060	6,060	5,686	374
Communications	25,080	25,080	12,332	12,748
Employee travel and training	14,426	14,426	5,130	9,296
Utilities	2,385	2,385	681	1,704
Bank fees			52	(52)
Capital outlay			33,947	(33,947)
<b>Total expenditures</b>	<b>355,307</b>	<b>355,307</b>	<b>354,169</b>	<b>1,138</b>
<b>Excess of revenues over (under) expenditures</b>	<b>92,538</b>	<b>92,538</b>	<b>181,962</b>	<b>89,424</b>
Fund balance - July 1	380,757	380,757	380,757	
Prior period adjustment			20,088	20,088
<b>Fund balance - July 1, restated</b>	<b>380,757</b>	<b>380,757</b>	<b>400,845</b>	<b>20,088</b>
<b>Fund balance - June 30</b>	<b>\$ 473,295</b>	<b>\$ 473,295</b>	<b>\$ 582,807</b>	<b>\$ 109,512</b>

**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, 2017

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget
				Positive (Negative)
<b>Revenues:</b>				
Property taxes	\$ 80,000	\$ 80,000	\$ 94,018	\$ 14,018
Investment income	30	30	108	78
Miscellaneous income	10	10	696	686
Total revenues	80,040	80,040	94,822	14,782
<b>Expenditures:</b>				
Salaries and wages	12,520	12,520	7,439	5,081
Payroll taxes and benefits	6,055	6,055	921	5,134
Workers compensation	750	750	1,091	(341)
Maintenance and repairs	4,700	4,700	3,753	947
Miscellaneous			2,720	(2,720)
Office supplies and expense	75	75	2,188	(2,113)
Supplies	500	500	393	107
Professional services	750	750	44,431	(43,681)
Dues, permits, and fees			260	(260)
Communications			538	(538)
Utilities	15,000	15,000	18,845	(3,845)
Bank fees			11	(11)
Capital outlay	12,500	12,500		12,500
Total expenditures	52,850	52,850	82,590	(29,740)
Excess of revenues over (under) expenditures	27,190	27,190	12,232	(14,958)
Fund balance - July 1	329,929	329,929	329,929	
Prior period adjustment			1,985	1,985
Fund balance - July 1, restated	329,929	329,929	331,914	1,985
Fund balance - June 30	\$ 357,119	\$ 357,119	\$ 344,146	\$ (12,973)

**SAN MIGUEL COMMUNITY SERVICES DISTRICT**  
**SCHEDULE OF FUNDING PROGRESS FOR POSTEMPLOYMENT BENEFITS**  
**OTHER THAN PENSIONS**  
For the Fiscal Year Ended June 30, 2017

The following table provides required supplementary information regarding the District's postemployment healthcare benefits.

**SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	Actuarial Accrued Liability (AAL) Entry Age (a)	Actuarial Value of Assets (b)	Unfunded Actuarial Accrued Liability (UAAL) (a-b)	Funded Status (b/a)	Annual Covered Payroll (c)	UAAL as a % of payroll ([a-b]/c)
7/1/15	\$ 58,741	\$ -	\$ 58,741	0%	\$ 114,000	51.5%

**SAN MIGUEL COMMUNITY SERVICES DISTRICT**  
**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY**  
 Last 10 Years\*  
 As of June 30, 2017

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

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

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

Notes to Schedule:

Changes in assumptions

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.

**SAN MIGUEL COMMUNITY SERVICES DISTRICT**  
**SCHEDULE OF CONTRIBUTIONS**

Last 10 Years\*

As of June 30, 2017

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution (actuarially determined)	\$ 22,800	\$ 19,438	\$ 26,154
Contribution in relation to the actuarially determined contributions	22,800	19,438	26,154
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered- employee payroll	\$ 190,663	\$ 140,038	\$ 174,026
Contributions as a percentage of covered-employee payroll	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 three years are shown.

