

**LAKE DON PEDRO
COMMUNITY SERVICES DISTRICT**

ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2018

LAKE DON PEDRO COMMUNITY SERVICES DISTRICT

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JUNE 30, 2018

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LAKE DON PEDRO COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

This section of the annual financial report of the Lake Don Pedro Community Services District (District) presents the discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2018. 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, 2018.

- Total assets of the District were \$6,283,891 in 2018 and \$5,813,950 in 2017, an increase of \$469,941.
- Total liabilities increased by \$239,456 during the same period.
- Operating revenues increased by \$29,452 during the same period.
- Operating expenses increased by \$171,822.

OVERVIEW OF THE FINANCIAL STATEMENTS

This financial report consists of the following basic parts: management's discussion and analysis (this section) of the basic financial statements.

The basic financial statements contained in this report are presented using Governmental Accounting Standard's Board (GASB) accounting principles. These statements provide overall information about The District's financial activities on both a short-term and long-term basis. The statement of net position presents information about its assets (resources) and liabilities (the amount obligated to its creditors). The statements of revenues, expenses, and changes in net position present information about the current year revenues and expenses. The statement also provides useful information for determining whether the District's service revenue and other revenue sources were sufficient to allow the District to recover all of its costs. The final financial statement in this report is the statement of cash flows, which provides information about The District's cash from operations, investing, and financing activities. In addition, this statement provides useful information to answer questions such as where cash came from, what cash was used for, and what was the change in cash balance during the reporting period.

LAKE DON PEDRO COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

OVERVIEW OF FINANCIAL STATEMENTS (Continued)

FUND FINANCIAL STATEMENTS

Proprietary fund - All of the District's expenses incurred for the provision of Water Services are reported to a proprietary fund, which focuses on measuring the total costs of the service, including depreciation, and primarily recovering those costs through user charges or other revenue sources. This fund is reported using the accrual basis of accounting, which recognizes revenue where earned and expenses when incurred.

NET POSITION

As of June 30, 2018, the District had net position totaling \$3,717,173. Below is a table showing the District's net position at year end with comparative numbers for 2018 and 2017.

TABLE 1: NET POSITION

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Assets		
Cash and Investments	\$ 964,048	\$ 773,155
Other Assets	432,168	322,044
Capital Assets-Net	<u>4,887,675</u>	<u>4,718,751</u>
 Total Assets	 <u>6,283,891</u>	 <u>5,813,950</u>
 Liabilities		
Loan Payable	817,593	893,306
Other Liabilities	<u>1,749,125</u>	<u>1,433,956</u>
 Total Liabilities	 <u>2,566,718</u>	 <u>2,327,262</u>
 Net Position		
Invested in Capital Assets, Net of Related Debt	4,070,082	3,825,445
Unrestricted (Deficit)	<u>(352,909)</u>	<u>(338,757)</u>
 Total Net Position	 <u>\$ 3,717,173</u>	 <u>\$ 3,486,688</u>

LAKE DON PEDRO COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
 June 30, 2018

NET POSITION (Continued):

The District has invested 109.49% of its total net position in capital assets, which total \$4,070,082, net of related debt.

After stabilizing the District's financial position, we have returned to policy specifications where the LAIF account cannot be accessed without Board approval.

GOVERNMENTAL ACTIVITIES

The District's total revenues exceeded expenses by \$230,485. Total revenues for the year were \$2,003,079. Of this, \$1,493,814 was received from operating revenues, \$1,935 from investment earnings, \$41,400 from miscellaneous sources and \$465,930 from various grants. Prior year's total revenue was \$1,991,481.

Expenses totaled \$1,772,594 attributable to water service. Prior year's expenses were \$1,604,414.

CAPITAL ASSETS

During fiscal year 2018, the District purchased a net amount of \$464,321 in capital assets with District and grant funds. The majority of capital asset additions were drought emergency wells.

TABLE 2: CAPITAL ASSETS

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Capital Assets		
Land	\$ 157,325	\$ 157,325
Plant and Structures	9,863,471	9,402,967
Equipment and Vehicles	1,431,448	1,697,912
Construction in Progress	459,401	288,978
Less: Accumulated Depreciation	<u>(7,023,970)</u>	<u>(6,828,432)</u>
 Total Capital Assets -Net	 <u><u>\$ 4,887,675</u></u>	 <u><u>\$ 4,718,750</u></u>

**LAKE DON PEDRO COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2018

LONG-TERM DEBT

The Water District also had a loan with Municipal Finance Corporation for the Treatment Plant Upgrades with a balance of \$817,593. Payments of principal for 2018 and 2017 totaled \$75,713 and \$72,100, respectively. Interest paid for 2018 and 2017 totaled \$42,214 and \$45,856, respectively.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens and taxpayers with a general overview of the finances of those funds maintained by the District and to show the District's accountability for the money it receives. If you have questions about this report or need additional information, contact Lake Don Pedro Community Service District at 9751 Merced Falls Road, La Grange, CA 95329.



Blomberg & Griffin Accountancy Corporation
Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

To The Board of Directors
Lake Don Pedro Community Services District
La Grange, California

We have audited the accompanying financial statements of governmental activities of Lake Don Pedro Community Services District, as of and for the years ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents. The prior year summarized comparative information has been derived from the District's 2017 financial statements which we audited and expressed an unqualified opinion.

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 *State Controller's Minimum Audit Requirements for California Special Districts*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 Lake Don Pedro Community Services District, as of June 30, 2018, and the respective changes in financial position thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedule of required supplementary information on pages 1 through 4 and page 27, respectively, 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 December 19, 2018 on our consideration of the Lake Don Pedro 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 Lake Don Pedro Community Services District's internal control over financial reporting and compliance.



Blomberg & Griffin A.C.
Stockton, California
December 19, 2018

LAKE DON PEDRO COMMUNITY SERVICES DISTRICT

Statement of Net Position - Proprietary Funds

June 30, 2018 and 2017

	Business-Type Activities Enterprise Fund	
	2018	2017
Asset		
Cash And Invesments	\$ 964,048	\$ 773,155
Accounts Receivable	156,231	146,715
Prepaid Expense	48,839	50,938
Inventory	69,931	69,932
Land	157,325	157,325
Construction In Progress	459,401	288,978
Fixed Assets	11,294,919	11,100,880
Accumulated Depreciation	(7,023,970)	(6,828,432)
Deferred Outflows of Resources- Pension (Note-6)	157,167	54,459
Total Assets	6,283,891	5,813,950
Liabilities		
Accounts Payable	110,495	61,332
Interest Payable	11,801	12,880
Accrued Payroll	9,200	10,068
Compensated Absences	43,306	35,159
Net OEPB Liability (Note-4)	1,168,000	1,049,179
Net Pension Liability (Note-5)	310,692	195,610
Loans Payable	817,593	893,306
Deferred Inflows of Resources- Pension (Note-6)	95,631	69,728
Total Liabilities	2,566,718	2,327,262
Net Position		
Invested In Capital Assets -		
Net of Related Debt	4,070,082	3,825,445
Unrestricted (Deficit)	(352,909)	(338,757)
Total Net Position	\$ 3,717,173	\$ 3,486,688

See accompanying notes to basic financial statements.

LAKE DON PEDRO COMMUNITY SERVICES DISTRICT
Statements of Activities and Changes in Net Position - Proprietary Funds
For the Years Ended June 30, 2018 and 2017

	Business-Type Activities Enterprise Fund	
	2018	2017
Operating Revenues		
Water Sales And Assessments	\$ 1,449,038	\$ 1,411,290
Transfer Connection and Meter Fees	16,720	29,549
Interest and Penalties On Delinquent Accounts	28,056	23,523
	1,493,814	1,464,362
Operating Expenses		
Salaries And Benefits - Plant	186,076	277,942
Salaries And Benefits - Administrative	151,637	147,409
Post Retirement Benefit	194,459	141,330
Supplies And Services - Plant	797,106	586,760
Supplies And Services - Administrative	205,564	241,903
Depreciation	195,538	163,214
	1,730,380	1,558,558
Operating Income (Loss)	(236,566)	(94,196)
Nonoperating Revenues (Expenses)		
Grant Income (Drought Emergency)	465,930	491,060
Investment Earnings	1,935	1,059
Miscellaneous	41,400	35,000
Interest Expense	(42,214)	(45,856)
	467,051	481,263
Change In Net Position	230,485	387,067
Total Net Position - Beginning of Year	3,486,688	3,099,621
Total Net Position - End of Year	\$ 3,717,173	\$ 3,486,688

See accompanying notes to basic financial statements.

LAKE DON PEDRO COMMUNITY SERVICES DISTRICT
Statements of Cash Flows - Proprietary Funds
For the Years Ended June 30, 2018 and 2017

	Business-Type Activities	
	Enterprise Fund	
	2018	2017
Cash Flows From Operating Activities		
Receipts From Customers	\$ 1,484,298	\$ 1,691,695
Payments To Suppliers	(988,768)	(840,594)
Payments To Employees	(330,434)	(377,069)
Net Cash Provided By (Used In) - Operating Revenues	165,096	474,032
Cash Flows From Non- Capital Financing Activities		
Miscellaneous Income	41,400	35,000
Net Cash Provided by (Used In) Non-Capital - Financing Activities	41,400	35,000
Cash Flows From Capital And Related - Financing Activities		
Grants Income	465,930	491,060
Capital Asset	(194,039)	(734,284)
Construction In Progress	(170,423)	-
Principal Payments On Long Term Debt	(75,713)	(72,100)
Interest Paid	(43,293)	(45,856)
Net Cash Provided by (Used In) Capital - And Related Financing Activities	(17,538)	(361,180)
Cash Flows From Investing Activities		
Interest Received	1,935	1,059
Net Cash Provided by (Used In) Investing Activities	1,935	1,059
Net Increase (Decrease) In Cash	190,893	148,911
Cash and Investments - Beginning	773,155	624,244
Cash and Investments - Ending	\$ 964,048	\$ 773,155
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities		
Operating Income (Loss)	\$ (236,566)	\$ (94,196)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities		
Depreciation	195,538	163,214
Change in Assets and Liabilities		
Accounts Receivable	(9,516)	229,906
Prepaid Expenses and Other Current Assets	2,100	(2,574)
Accounts Payable	49,163	15,240
Accrued Expenses and other liabilities	7,279	3,117
Retirement Obligations	157,098	159,325
Net Cash Provided by (used for) Operating Activities	\$ 165,096	\$ 474,032

See accompanying notes to basic financial statements.

LAKE DON PEDRO COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Lake Don Pedro Community Services District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. In June 1999, the GASB unanimously approved Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis for State and Local Governments*. Certain of the significant changes in the statement include the following:

The financial statements include:

- A Management's Discussion and Analysis (MD&A) section providing an analysis of the District's overall financial position and results of operations.
- Financial statements prepared using the full accrual accounting for all of the District's activities, including infrastructure.
- A change in the financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements).

The more significant of the Districts accounting policies are described below:

A. Financial Reporting Entity

The Lake Don Pedro Community Services District was incorporated in August 1980. The District was formed to supply the inhabitants of the District with water for domestic use, irrigation, sanitation, industrial use, fire protection, and recreation.

The District operates under a Board of Directors form of government. The Board of Directors consists of five members elected at large for overlapping four year terms. The district appoints legal counsel.

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The proprietary fund 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: The District reports the following major proprietary funds:

The **Water Fund** accounts for the activities of the District's water service.

**LAKE DON PEDRO COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities, Net Position or Equity

1. Cash and Investments

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the District. The District follows the practice of pooling the cash from all funds for investment purposes.

California State statute authorizes the District to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds and repurchase agreements. Investments are stated at fair value.

2. Receivables and Payables

Billings for water services are sent monthly and are reflected on the accrual basis of accounting. Delinquent accounts are submitted to the Counties of Mariposa and Tuolumne and are attached to the County tax roles.

3. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2018 are recorded as prepaid items.

4. Restricted Assets

Certain proceeds of revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

5. Capital Assets

Capital assets are defined by the District as assets with an initial, individual cost of \$2,500 for equipment and \$25,000 for buildings and infrastructure. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Depreciation is recorded in amounts sufficient to relate the cost of the depreciable assets to operations over their estimated service life using the straight-line method.

**LAKE DON PEDRO COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. Compensated Absences

District employees earn vacation leave, and compensation time. It may be either taken or accumulated with prior approval of the general manager. Vacation is paid upon termination or retirement. Vacation and sick leave may be accumulated without limitation. Sick leave is not paid if an employee quits or is terminated, however, a 100% credit is allowed for eligible employee for longevity of service on retirement. In accordance with generally accepted accounting principles, an accrual for compensated absences is reflected in the accompanying general purpose financial statements.

7. Long-term Debt

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds

8. Net Position & Fund Equity

In proprietary fund financial statements, net position is reported in three categories: net position invested in capital assets, net of related debt; restricted net position and unrestricted net position. Restricted net position represents net position restricted by parties outside the District (such as creditors, grantors, contributors, laws and regulations of other governments).

All other net position is considered unrestricted.

Proprietary funds contributed capital represents equity acquired through capital grants and capital contributions from developers, customers, or other funds.

9. Use of Estimates

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

**LAKE DON PEDRO COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for all funds. All annual appropriations lapse at fiscal year-end.

Prior to June 30th, the proposed budget is presented to the Board of Directors for review. The Board of Directors holds public hearings and may add to, subtract from or change appropriations.

NOTE 3 - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Cash and Investments

Cash and investments as of June 30, 2018 and 2017 are classified in the accompanying financial statements as follows:

Statement of Net Position

	2018	2017
Cash and Investments	\$ 964,048	\$ 773,155

Cash and investments as of June 30, 2018 and 2017 consist of the following:

Cash on Hand	\$ 125	\$ 125
Deposits with Financial Institutions	798,254	609,296
Local Agency Investment Fund	165,669	163,734
Total Cash and Investments	\$ 964,048	\$ 773,155

**LAKE DON PEDRO COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

**NOTE 3 - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS
(Continued)**

Investments Authorized by the District's Investment Policy

The District's investment policy authorizes investment in the local government investment pool administered by the State of California (LAIF). The District's investment policy also authorizes cash to be invested in Certificates of Deposits, Bankers Acceptances, and Passbook Savings Demand Deposits. The District's investment policy does not contain any specific provisions intended to limit the District's exposure to interest rate risk, credit risk, and concentration of credit risk.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As of year-end, the weighted average maturity of the investments contained in the LAIF investment pool is approximately 6.36 months.

		Maturity Date
State Investment Pool	<u>\$ 165,669</u>	6.36 months average maturity
Total	<u><u>\$ 165,669</u></u>	

LAKE DON PEDRO COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 3 - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS
(Continued)

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 a nationally recognized statistical rating organization. LAIF does not have a rating provided by a nationally recognized statistical rating organization.

Concentration of Credit Risk

The investment policy of the District's contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code.

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

At June 30, 2018, the District's deposits with financial institutions were covered by Federal Depository Insurance Corporation (FDIC) or the multiple financial institution collateral pool that insures public deposits. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

**LAKE DON PEDRO COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

**NOTE 3 - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS
(Continued)**

Investment in State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis with funds generally available next business day.

Deferred Compensation Plan

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The District deposits deferred compensation plan assets with the California Public Employees Retirement System (PERS). Federal legislation requires that the assets of such plans be held in trust for the exclusive benefit of the plan participants and their beneficiaries. PERS act as the trustees for the plan assets and the District is considered to have limited fiduciary responsibility for the plan assets. As such, the District does not report the deferred compensation plan assets on its financial statements.

B. Accounts Receivable

Receivables at June 30, 2018 and 2017 for the District's water services are sent monthly and are reflected on the accrual basis of accounting. Delinquent accounts are submitted to the Counties of Mariposa and Tuolumne and are attached to the County tax role. All receivables are expected to be collected within one year.

	Water	
	2018	2017
Business-Type Activities		
Utility Billings	\$ 156,231	\$ 146,715
Total	\$ 156,231	\$ 146,715

**LAKE DON PEDRO COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

**NOTE 3 - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS
(Continued)**

C. Payables And Other Liabilities

Payables at June 30, 2018 and 2017 for the District's individual major funds in the aggregate are as follows:

	<u>2018</u>	<u>2017</u>
Business-Type Activity		
Vendors	\$ 110,495	\$ 61,244
Salaries and Benefits	9,200	10,068
Accrued Compensated Absences	43,306	35,159
Interest Payable	<u>11,801</u>	<u>12,880</u>
 Total	 <u>\$ 174,802</u>	 <u>\$ 119,351</u>

Capital Assets

Capital asset activity for the year ended June 30, 2018 was as follows:

Depreciation was charged to functions/programs of the primary government as follows:

	<u>Balance 2017</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance 2018</u>
Business-Type Activities				
Capital Assets not Being Depreciated:				
Land	\$ 157,325	\$ -	\$ -	\$ 157,325
Construction in Progress	<u>288,978</u>	<u>204,838</u>	<u>34,415</u>	<u>459,401</u>
Total Capital Assets not Depreciated	<u>446,303</u>	<u>204,838</u>	<u>34,415</u>	<u>616,726</u>
Capital Assets Depreciated:				
Plant	8,964,448	460,504	-	9,424,952
Equipment	1,566,402	3,817	270,281	1,299,938
Structure	438,519	-	-	438,519
Vehicles	<u>131,510</u>	<u>-</u>	<u>-</u>	<u>131,510</u>
Total Capital Assets Depreciated	11,100,879	464,321	270,281	11,294,919
Less Accumulated Depreciation	<u>(6,828,432)</u>	<u>(195,538)</u>	<u>-</u>	<u>(7,023,970)</u>
Net Capital Assets Depreciated	<u>4,272,447</u>	<u>268,783</u>	<u>270,281</u>	<u>4,270,949</u>
Total Net Capital Assets - Business-Type Activities	<u>\$ 4,718,750</u>	<u>\$ 473,621</u>	<u>\$ 304,696</u>	<u>\$ 4,887,675</u>

**LAKE DON PEDRO COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

**NOTE 3 - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS
(Continued)**

D. Capital Assets (continued)

Depreciation was charged to functions/programs of the primary government as follows:

Business-Type Activity	Water	
	2018	2017
Depreciation Expense	\$ 195,538	\$ 163,214
Total	\$ 195,538	\$ 163,214

E. Long-Term Debt

The District secured financing with board approval on July 17, 2006 in the amount of \$1,500,000 for the improvements for the water treatment plant. Repayment will be made to the Municipal Financial Corporation in semi-annual payments of \$59,503 including interest at 4.95% through 2026. Note is secured by all net revenues.

The annual debt service requirements of the notes payable are as follows:

Year Ending June 30,	Muni	
	Principal	Interest
2019	\$ 79,507	\$ 39,499
2020	83,491	35,515
2021	87,676	31,330
2022	92,069	26,937
2023-2027	474,850	60,678
Total	\$ 817,593	\$ 193,959

**LAKE DON PEDRO COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

**NOTE 3 - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS
(Continued)**

E. Long-Term Debt (Continued)

The following is a summary of changes in the District's long-term debt and other long-term liabilities during the year ended June 30, 2018:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-Type Activities					
Loans Payable	\$ 893,306	\$ -	\$ (75,713)	\$ 969,019	\$ 79,507
Compensated Absences	<u>35,159</u>	<u>8,147</u>	<u>-</u>	<u>43,306</u>	<u>4,331</u>
Total Long-Term Liabilities	<u>\$ 928,465</u>	<u>\$ 8,147</u>	<u>\$ (75,713)</u>	<u>\$1,012,325</u>	<u>\$ 83,838</u>

NOTE 4 - OTHER INFORMATION

A. Risk Management

The District is exposed to various risks of loss to torts; theft of, damage of, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District joined together with other special districts for insurance coverage under Special District Risk Management Authority (SDRMA). The District pays an annual premium to SDRMA for its general insurance coverage.

The District continues to carry commercial insurance for all other risks of loss, including workers' compensation, and employee health and accident insurance.

B. Commitments and Contingencies

The District has received various grants subject to audit by the grantor agencies. Any liability for reimbursement that may arise as a result is believed to be immaterial by management.

C. Post-Employment Benefits

The District implemented GASB Statement No. 75, *Financial Reporting for Postemployment Benefit Plans (OPEB) other than Pension Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pension Plans* in FYE 2018. The District provides certain health care benefits which are recognized as an expenditure of health care premiums paid.

**LAKE DON PEDRO COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 4 - OTHER INFORMATION (Continued)

Significant Actuarial Assumptions Used for Total OPEB Liability:

Actuarial Assumption	June 30, 2018 Measurement Date
Actuarial Valuation Date	30-Jun-18
Contribution Policy	No pre-funding
Discount Rate	3.87% at June 30, 2018 (Bond Buyer 20-bond Index)
General Inflation	2.75% annually
Mortality, Retirement, Disability, Termination	CalPERS 1997-2015 Experience Study
Mortality Improvement	Post-retirement mortality projected fully generational with Scale MP-17
Salary Increases	Aggregate - 3% Annually. Merit - Tables from CalPERS 1997-2015 Experience Study
Medical Trend	Non-Medicare - 7.5% fro 2020, decreasing to an ultimate rate of 4.0% in 2076 and later years. Medicare - 6.5% for 2020, decreasing to an ultimate rate of 4.0% in 2076 and later years.
Medical Participation at Retirement	100%
Medical Plan at Retirement	Currently covered - Same as current election Currently waived - n/a

Sensitivity of the Net OPEB Liability to changes in the Trend rate – The following presents the District’s Net OPEB Liability if it were calculate using a trend table that is 1% point lower or 1% point higher than the current rate:

Net OPEB Liability as of June 30, 2017 measurement date: \$1,168,600.

Sensitivity of Total OPEB Liability: Changes in the Discount Rate

	<u>1% Decrease (2.87%)</u>	<u>Current Rate (3.87%)</u>	<u>1% Increase (4.87%)</u>
Total OPEB Liability	\$ 1,391,506	\$ 1,168,600	\$ 993,546

Changes in the Healthcare Trend Rate

	<u>1% Decrease</u>	<u>Current Trend</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 963,420	\$ 1,168,600	\$ 1,446,100

**LAKE DON PEDRO COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 4 - OTHER INFORMATION (Continued)

Schedule of OPEB Expenses for Fiscal Year Ended June 30, 2018:

Changes in Total OPEB Liability	
Balances at 6/30/2017	\$ 1,147,347
Changes for the year	
Service Cost	64,722
Interest	42,904
Benefit changes	-
Actual vs. expected experience	-
Assumption changes	(59,089)
Benefit payments	(27,284)
	21,253
Net Changes	21,253
Balance at 6/30/2018	\$ 1,168,600

Deferred Inflows/Outflows of Resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of Assumptions	-	48,901
Employer contributions made subsequent to the measurement date	-	-
Total	\$ -	\$ 48,901

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ended June 30	Deferred Outflows/(Inflows) of Resources
2019	\$ (10,188)
2020	(10,188)
2021	(10,188)
2022	(10,188)
2023	(8,149)
Thereafter	-
	\$ (48,901)

**LAKE DON PEDRO COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 5 - DISTRICT EMPLOYEES RETIREMENT PLAN (DEFINED BENEFIT PENSION PLAN)

DEFINED BENEFITS PENSION PLANS – Miscellaneous Plan

The District provides eligible employee's pension plans benefits through the Lake Don Pedro Community Services District – Miscellaneous Plan (The Plan).

Plan Description, Benefits Provided and Employees Covered

The plan is a cost-sharing multiple-employer defined benefit pension plan administered by the California Public Employees; Retirement System (CalPERS). A full description of the pension plan benefit provisions, assumptions for funding purposes but not accounting purposes, and membership information is listed in the June 30, 2017 Annual Actuarial Valuation Report. Details of the benefits provided can be obtained in Appendix B of the June 30, 2017 actuarial valuation report. This report is a publically available valuation report that can be obtained at CalPERS' website under Forms and Publications.

Contribution Description

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS' annual actuarial valuation process. For public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and contribution rate of employees. For the measurement period ended June 30, 2017 (the measurement date), the active employee contribution rate is 6.900 percent of annual pay, and the average employer's contribution rate is 7.850 percent of annual payroll and unfunded accrual liability contribution is 2.701 percent. Employer contributions rates may change if plan contracts are amended. It is the responsibility of the employer to make necessary accounting adjustments to reflect the impact due to any Employer Paid Member Contributions or situations where members are paying a portion of the employer contribution

**LAKE DON PEDRO COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

DEFINED BENEFITS PENSION PLANS – Miscellaneous Plan (Continued)

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ending June 30, 2017 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2016 total pension liability. Both the June 30, 2016 total pension liability and the June 30, 2017 total pension liability were based on the following actuarial methods and assumptions.

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions	
Discount Rate	7.15%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table	Delivered using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies 2.75% thereafter.

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely results in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 percent is applied to all plans in the Public Employees Retirement Fund. 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.

**LAKE DON PEDRO COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

DEFINED BENEFITS PENSION PLANS – Miscellaneous Plan (Continued)

The following presents the net pension liability/(assets) of the Plan as of the measurement date, calculated using the discount rate of 7.15 percent, as well as what the net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15 percent) or 1 percentage-point higher (8.15 percent) than the current rate:

	<u>Discount Rate - 1 % (6.15 %)</u>	<u>Current Discount Rate (7.15 %)</u>	<u>Discount Rate + 1 % (8.15 %)</u>
Net Pension Liability	\$536,282	\$310,692	\$123,855

PENSION EXPENSE AND DEFERRED OUTFLOWS AND DEFERRED INFLOWS

For the fiscal year ended June 30, 2018 and 2017, pension expense recognized is as follows:

	<u>2017</u>	<u>2018</u>
Service Cost	\$ 30,843	\$ 40,124
Interest on Total Pension Liability	93,069	110,347
Changes of Benefits Terms	96	198
Recognize Changes of Assumptions	(5,740)	17,919
Recognize difference between Expected and Actual Experience	514	(2,174)
Net Plan to Plan Resource Movement	(2,148)	2,667
Employee Contributions	(14,484)	(17,226)
Projected Earnings on Pension Plan Investment	(74,811)	(79,516)
Recognize difference between Project and Actual Earnings on Plan Investment	7,810	(314)
Deferred Outflows of Resources	-	16,506
Deferred Inflows of Resources	-	5,062
Administrative Expenses	608	1,667
Pension Expense	<u><u>\$ 35,757</u></u>	<u><u>\$ 95,260</u></u>

**LAKE DON PEDRO COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

DEFINED BENEFITS PENSION PLANS – Miscellaneous Plan (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	\$ 68,438	\$ 7,902
Difference between Expected and Actual Experience	552	5,218
Difference between Projected and and Actual Investment	15,478	-
Difference between Employer's Contribution and Proportionate Share of Contribution	-	33,610
Changes in Employer's Proportion Pension Contribution Made Subsequent to Measurement Date	48,884	-
	23,815	-
 Total	 \$ 157,167	 \$ 46,730

Amounts reported as deferred outflows of resources related to pensions will be recognized in future pension expense as follows:

Measurement Period Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	\$ 44,694
2020	32,538
2021	18,578
2022	(9,189)
2023	-
Thereafter	-

NOTE 6 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 22, 2019 the date which the financial statements were available to be issued.

LAKE DON PEDRO COMMUNITY SERVICES DISTRICT
Schedule of Required Supplementary Information- Pension Plan
For the Years Ended June 30, 2018, 2017 and 2016

Schedule of the Plan's Proportionate Share of the Net Pension Liability

	<u>June 30, 2016</u>	<u>June 30, 2017</u>	<u>June 30, 2018</u>
Plan's Proportion of the Net Pension Liability/(Asset)	0.001%	0.00563%	0.00313%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	\$ 131,415	\$ 195,610	\$ 310,692
Plan's Covered-Employee Payroll	\$ 77,723	\$ 165,150	\$ 191,364
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	55.03%	84.43%	162.36%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	0.00%	0.00%	73.31%
Plan's Proportionate Share of Aggregate Employer Contributions	\$ -	\$ -	\$ -

Schedule of Plan Contributions

	<u>June 30, 2016</u>	<u>June 30, 2017</u>	<u>June 30, 2018</u>
Actuarially Determined Contribution	\$ 18,621	\$ 21,388	\$ 23,815
Contributions in Relation to the Actuarially Determined Contribution	<u>(18,621)</u>	<u>(21,388)</u>	<u>(23,815)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-Employee Payroll	\$ 72,723	\$ 165,150	\$ 174,478
Contributions as a Percentage of Covered-Employee Payroll	25.61%	12.95%	13.65%

Notes to Schedule

Change in Benefit Terms: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2016 as they have minimal cost impact.

Change in Assumptions: None



Blomberg & Griffin Accountancy Corporation
Certified Public Accountant

**INDEPENDENT AUDITORS' 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***

Governing Board
Lake Don Pedro Community Services District
La Grange, California

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of Lake Don Pedro Community Services District as of and for the year ended June 30, 2018, which collectively comprise Lake Don Pedro Community Services District's basic financial statements and have issued our report thereon dated December 19, 2018. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *State Controller's Minimum Audit Requirements for California Special Districts*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Lake Don Pedro Community Services 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 Lake Don Pedro Community Services District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Lake Don Pedro Community Services 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 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lake Don Pedro 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 no instances of noncompliance or other matter that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the governing board, management, and the State Controller's Office, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Blomberg & Griffin A.C." with a small star-like symbol above the ampersand.

Blomberg & Griffin A.C.
Stockton, CA
December 19, 2018