

**LAKE DON PEDRO  
COMMUNITY SERVICES DISTRICT**

**ANNUAL FINANCIAL REPORT**

**For the Fiscal Year Ended June 30, 2014**

LAKE DON PEDRO COMMUNITY SERVICES DISTRICT

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JUNE 30, 2014

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**LAKE DON PEDRO COMMUNITY SERVICES DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2014

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, 2014. The Management's Discussion and Analysis (MD&A) should be read in conjunction with the District's financial statements, including the notes and the supplementary information that immediately follow this section.

**FINANCIAL HIGHLIGHTS**

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

- Total assets of the District were approximately \$5,129,935 in 2014 and \$4,812,181 in 2013, an increase of approximately \$317,754.
- Total liabilities increased by approximately \$57,402 during the same period.
- Operating revenues increased approximately \$14,724 during the same period.
- Operating expenses decreased by \$5,119.

**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, 2014

**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, 2014, the District had net position totaling \$3,171,456. Below is a table showing the District's net position at year end with comparative numbers for 2013.

**TABLE 1: NET POSITION**

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
<b>Assets</b>		
Cash and Investments	\$ 1,526,679	\$ 1,102,073
Other Assets	280,416	305,395
Capital Assets-Net	<u>3,322,840</u>	<u>3,404,713</u>
 Total Assets	 <u>5,129,935</u>	 <u>4,812,181</u>
 <b>Liabilities</b>		
Long-Term Liabilities	1,099,448	1,161,710
Other Liabilities	<u>859,031</u>	<u>739,367</u>
 Total Liabilities	 <u>1,958,479</u>	 <u>1,901,077</u>
 <b>Net Position</b>		
Invested in Capital Assets, Net of Related Debt	2,223,392	2,243,003
Restricted - Debt Service	-	-
Unrestricted	<u>948,064</u>	<u>668,101</u>
 Total Net Position	 <u>\$ 3,171,456</u>	 <u>\$ 2,911,104</u>

**LAKE DON PEDRO COMMUNITY SERVICES DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
 June 30, 2014

**NET POSITION (Continued):**

The District has invested 70% of its total net position in capital assets, which total \$2,223,392, 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.

Unrestricted net position total \$948,064 with \$161,697 being accessed with Board approval and the remainder without approval. These represent resources that the District may use to provide services to its users and meet its obligations to creditors. The District currently does not have completely restricted funds.

**GOVERNMENTAL ACTIVITIES**

The District's total revenues exceeded expenses by \$260,352. Total revenues for the year were \$1,591,043. Of this, \$1,571,941 was received from operating revenues, \$1,262 from investment earnings, and \$17,840 from miscellaneous sources. Prior year's total revenue was \$1,576,931.

Expenses totaled \$1,454,776 attributable to water service. Prior year's expenses were \$1,467,888.

**CAPITAL ASSETS**

At the end of June 2014, the District purchased a net amount of \$109,254 in capital assets with District funds and disposed of \$-0- in capital assets.

**TABLE 2: CAPITAL ASSETS**

	<b>June 30, 2014</b>	<b>June 30, 2013</b>
<b>Capital Assets</b>		
Land	\$ 157,325	\$ 157,325
Plant and Structures	8,068,538	8,088,116
Equipment and Vehicles	855,792	836,214
Construction in Progress	564,818	455,564
Less: Accumulated Depreciation	(6,323,633)	(6,132,506)
 Total Capital Assets -Net	 \$ 3,322,840	 \$ 3,404,713

**LAKE DON PEDRO COMMUNITY SERVICES DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2014

**CAPITAL ASSETS (Continued):**

This year's major additions included:

Construction in Progress:

Intake Barge Improvements	\$ 84,836
Treatment Plant Upgrade	9,749
Perimeter Fencing	9,438
Auto Meter Read/Replace	2,131
Filter Media Replacement	<u>3,100</u>
 Total	 <u><u>\$ 109,254</u></u>

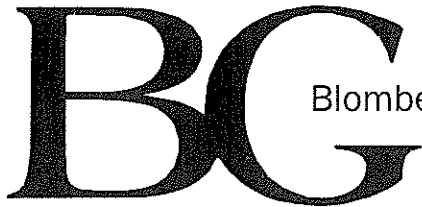
The District currently has several on-going capital improvement projects. These projects include the AMR System, Intake Float Pump/ Barge Upgrade, and Water Treatment Plant Equipment Upgrades/Replacement. Many others are being researched and prioritized for the future.

**LONG-TERM DEBT**

The Water District also had a loan with Municipal Finance Corporation for the Treatment Plant Upgrades with a balance of \$1,099,448. Payments of principal for 2014 and 2013 totaled \$62,262.50 and \$59,291.26, respectively. Interest paid for 2014 and 2013 totaled \$53,293.58 and \$59,714.82, 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, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents. The prior year summarized comparative information has been derived from the District's 2013 financial statements which were audited by other auditors whom 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 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 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, 2014, 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 budgetary comparison information on pages 3 through 6 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Lake Don Pedro Community Services District's, basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the financial statements.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

*Blomberg & Griffin A.C.*

Blomberg & Griffin A.C.  
Stockton, California  
October 30, 2014



**LAKE DON PEDRO COMMUNITY SERVICES DISTRICT**  
**Statement of Net Position - Proprietary Funds**  
**June 30, 2014 and 2013**

	<b>Business-Type Activities Enterprise Fund</b>	
	<b>2014</b>	<b>2013</b>
<b>Asset</b>		
Cash And Invesments	\$ 1,526,679	\$ 1,102,073
Accounts Receivable	169,380	175,694
Prepaid Expense	41,390	43,710
Inventory	69,646	85,991
Land	157,325	157,325
Construction In Progress	564,818	455,564
Fixed Assets	8,924,330	8,924,330
Accumulated Depreciation	(6,323,633)	(6,132,506)
	<u>5,129,935</u>	<u>4,812,181</u>
<b>Liabilities</b>		
Accounts Payable	56,701	94,820
Interest Payable	15,750	19,200
Accrued Payroll	12,108	10,618
Compensated Absences	25,334	14,439
Post Retirement Benefit Obligation	749,138	600,290
Loans Payable	1,099,447	1,161,710
	<u>1,958,478</u>	<u>1,901,077</u>
<b>Net Position</b>		
Invested In Capital Assets	-	-
Net of Related Debt	2,223,392	2,243,003
Restricted	-	-
Unrestricted	948,064	668,101
	<u>948,064</u>	<u>668,101</u>
<b>Total Net Position</b>	<u>\$ 3,171,456</u>	<u>\$ 2,911,104</u>

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, 2014 and 2013**

	<b>Business-Type Activities</b>	
	<b>Enterprise Fund</b>	
	<b>2014</b>	<b>2013</b>
<b>Operating Revenues</b>		
Water Sales And Assessments	\$ 1,493,659	\$ 1,440,698
Transfer Connection and Meter Fees	55,315	92,200
Interest and Penalties On Delinquent Accounts	22,967	24,319
	1,571,941	1,557,217
<b>Operating Expenses</b>		
Salaries And Benefits - Plant	233,978	202,412
Salaries And Benefits - Administrative	219,392	173,737
Post Retirement Benefit	186,838	136,715
Supplies And Services - Plant	418,539	358,212
Supplies And Services - Administrative	151,608	349,100
Depreciation	191,127	186,425
	1,401,482	1,406,601
Operating Income	170,459	150,616
<b>Nonoperating Revenues (Expenses)</b>		
Investment Earnings	1,262	1,153
Miscellaneous	17,840	18,561
Interest Expense	(53,294)	(61,287)
	(34,192)	(41,573)
Extraordinary Items		
Insurance Recovery	124,085	166,941
	124,085	166,941
Change In Net Position	260,352	275,984
Total Net Position - Beginning	2,911,104	2,635,120
Total Net Position - Ending	\$ 3,171,456	\$ 2,911,104

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, 2014 and 2013**

	<b>Business-Type Activities</b>	
	<b>Enterprise Fund</b>	
	<b>2014</b>	<b>2013</b>
<b>Cash Flows From Operating Activities</b>		
Receipts From Customers	\$ 1,578,255	\$ 1,564,017
Payments To Suppliers	(627,591)	(709,560)
Payments To Employees	(440,985)	(384,191)
Net Cash Provided By (Used In)		
Operating Revenues	509,679	470,266
<b>Cash Flows From Non- Capital Financing Activities</b>		
Miscellaneous Income	17,840	18,561
Net Cash Provided by (Used In) Non-Capital Financing Activities	17,840	18,561
<b>Cash Flows From Capital And Related Financing Activities</b>		
Purchase Of Capital Assets	-	(662)
Insurance Proceeds Received	124,085	35,257
Construction In Progress	(109,254)	56,023
Principal Payments On Long Term Debt	(62,262)	(59,292)
Interest Paid	(56,744)	(59,715)
Net Cash Provided by (Used In) Capital And Related Financing Activities	(104,175)	(28,389)
<b>Cash Flows From Investing Activities</b>		
Interest Received	1,262	1,153
Net Cash Provided by (Used In) Investing Activities	1,262	1,153
Net Increase (Decrease) In Cash	424,606	461,591
Cash and Investments - Beginning	1,102,073	640,482
Cash and Investments - Ending	\$ 1,526,679	\$ 1,102,073

See accompanying notes to basic financial statements.

**LAKE DON PEDRO COMMUNITY SERVICES DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**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, 2014**

**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, 2014 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, 2014**

**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 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, 2014**

**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, 2014 and 2013 are classified in the accompanying financial statements as follows:

**Statement of Net Position**

	<b>2014</b>	<b>2013</b>
Cash and Investments	\$ 1,526,679	\$ 1,102,073

Cash and investments as of June 30, 2014 and 2013 consist of the following:

Cash on Hand	\$ 125	\$ 125
Deposits with Financial Institutions	1,364,857	940,650
Local Agency Investment Fund	161,697	161,298
Total Cash and Investments	\$ 1,526,679	\$ 1,102,073

**LAKE DON PEDRO COMMUNITY SERVICES DISTRICT  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2014**

**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 7.68 months.

		Maturity Date
State Investment Pool	<u>\$ 161,697</u>	7.68 months average maturity
Total	<u><u>\$ 161,697</u></u>	



**LAKE DON PEDRO COMMUNITY SERVICES DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**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, 2014, 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, 2014**

**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.

**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, 2014 and 2013 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 roles. All receivables are expected to be collected within one year.

	Water	
	2014	2013
Business-Type Activities		
Utility Billings	\$ 169,380	\$ 175,694
Total	\$ 169,380	\$ 175,694

**LAKE DON PEDRO COMMUNITY SERVICES DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

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

**C. Payables And Other Liabilities**

Payables at June 30, 2014 and 2013 for the District's individual major funds in the aggregate are as follows:

	<u>2014</u>	<u>2013</u>
Business-Type Activity		
Vendors	\$ 56,701	\$ 94,820
Salaries and Benefits	12,108	10,618
Accrued Compensated Absences	25,334	14,439
Interest Payable	15,750	19,200
	<u>          </u>	<u>          </u>
Total	<u>\$ 109,893</u>	<u>\$ 139,077</u>

**D. Capital Assets**

Capital asset activity for the year ended June 30, 2014 was as follows:

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

	<u>Balance 2013</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance 2014</u>
Business-Type Activities				
Capital Assets not Being Depreciated:				
Land	\$ 157,325	\$ -	\$ -	\$ 157,325
Construction	455,564	109,254	-	564,818
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Capital Assets not Depreciated	612,889	109,254	-	722,143
Capital Assets Depreciated:				
Plant	7,655,597	-	(7,078)	7,648,519
Equipment	704,704	19,578	-	724,282
Structure	432,519	-	(12,500)	420,019
Vehicles	131,510	-	-	131,510
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Capital Assets Depreciated	8,924,330	19,578	(19,578)	8,924,330
Less Accumulated Depreciation	(6,132,506)	(191,127)	-	(6,323,633)
Net Capital Assets Depreciated	<u>2,791,824</u>	<u>(171,549)</u>	<u>(19,578)</u>	<u>2,600,697</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Net Capital Assets - Business-Type Activities	<u>\$ 3,404,713</u>	<u>\$ (62,295)</u>	<u>\$ (19,578)</u>	<u>\$ 3,322,840</u>

**LAKE DON PEDRO COMMUNITY SERVICES DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**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	
	2014	2013
Depreciation Expense	\$ 191,127	\$ 186,425
Total	\$ 191,127	\$ 186,425

**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
2014	62,263	56,744
2015	65,383	53,623
2016	68,659	50,347
2017-2021	398,487	196,544
2022-2026	508,854	86,177
2027	58,064	1,437

**LAKE DON PEDRO COMMUNITY SERVICES DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**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, 2014:

	<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	\$1,161,710	\$ -	\$ (62,262)	\$1,099,448	\$ 65,383
Compensated Absences	<u>14,439</u>	<u>10,895</u>	<u>-</u>	<u>25,334</u>	<u>2,533</u>
Total Long-Term Liabilities	<u>\$1,176,149</u>	<u>\$10,895</u>	<u>\$ (62,262)</u>	<u>\$1,124,782</u>	<u>\$ 67,916</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 is a party in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the District that the matters are defensible. In the case that the District does not prevail the potential loss to the District is unknown at this time.

**LAKE DON PEDRO COMMUNITY SERVICES DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 4 - OTHER INFORMATION (Continued)**

**C. Post Employment Benefits**

Lake Don Pedro Community Services District provides lifetime postretirement medical coverage to employees (and their dependents) who retire at age 50 or older with at least five years of service from the District. The District pays a portion of the cost of the benefit, up to a predetermined cap. Retirees are responsible for costs in excess of the cap. The employees of the District also participate in the retiree health plan.

<b>Obligations and Funded Status Change in Benefit Obligation</b>	<b>2014</b>
Benefit Obligation Beginning of Year	600,290
Annual Required Contribution	168,829
Interest Cost	18,009
Benefits Paid	<u>(37,990)</u>
Benefit Obligation End of Year	<u>\$ 749,138</u>

**D. Employee Retirement Systems and Plans**

All District full-time employees participate in the California Public Employees' Retirement System (CalPERS), a cost sharing multiple-employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Copies of CalPERS annual financial report may be obtained from their Executive Office – 400 P Street, Sacramento, CA 95814.

For covered employees, the employer and employee contributions vary by individual. For June 30, 2014, the District's annual pension cost of \$25,258 for CalPERS was equal to the District's required and actual contributions. The District is required to contribute based on rate schedules issued by CalPERS. The District's rate for the fiscal year 2013-2014 was 8.619% of covered payroll.

The required contribution was determined as part of the June 30, 2010, actuarial valuation using the entry age normal actuarial cost method. The contribution is determined by the member's age and date of entry into the retirement system and the member's salary level. The actuarial assumptions include (a) 7.75% investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary by duration of service, and (c) 3.25% per year cost-of-living adjustments. Both (a) and (b) include an inflation component of .001%.

**LAKE DON PEDRO COMMUNITY SERVICES DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 4 - OTHER INFORMATION (Continued)**

**D. Employee Retirement Systems and Plans (Continued)**

(Dollar Amounts in Thousands)

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2012	22,438	100%	-
6/30/2013	13,725	100%	-
6/30/2014	25,258	100%	-

**NOTE 5 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through December 8, 2014 the date which the financial statements were available to be issued.



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, 2014, which collectively comprise Lake Don Pedro Community Services District's basic financial statements and have issued our report thereon dated October 30, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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.

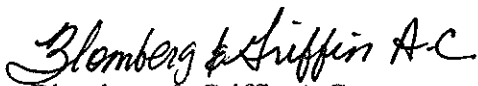
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. 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.



Blomberg & Griffin A.C.

Stockton, CA

October 30, 2014